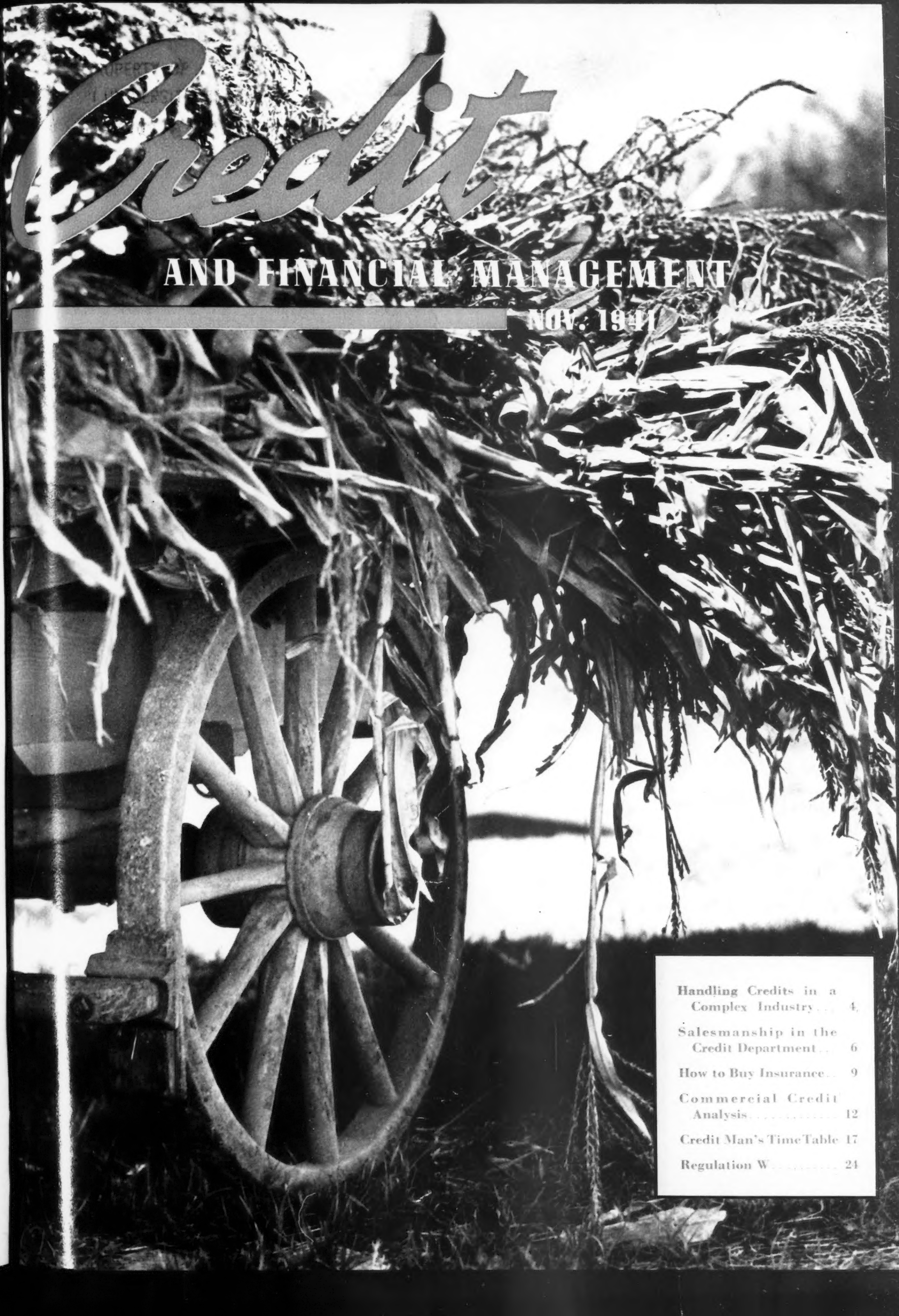
Credit AND FINANCIAL MANAGEMENT

NOV. 1941



Credit
AND FINANCIAL MANAGEMENT

Contents for November, 1941

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Service—The Credit Man's Way!

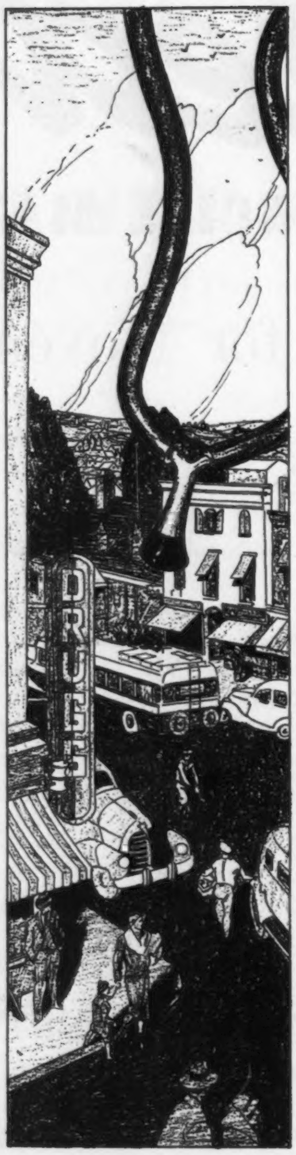
Several weeks ago I was pall-bearer for a life-long friend. As I watched the mourners, particularly his family, I realized how much he would be missed by all of us. If only he had been spared for a few more years—important years to his family! And that might have been, had he regularly presented himself for medical examination.

But my late friend was one of those who say: "Never sick a day! Why should I bother with doctors!"

As I meet with credit executives around the country, I occasionally notice a parallel attitude, on the part of some, toward their firm's receivables. Such individuals are fewer today than they once were, however, thanks to the enlightened approach and the broad educational program of the NACM—their own professional organization.

Most credit executives know that it is essential that receivables be kept in healthy condition. They know, too, that the best way to obtain a sound diagnosis is through Credit Interchange reports—the clinical charts of the credit world—which show the exact present condition of the patient.

Are you, as a credit executive, regularly checking with the credit clinic established by your predecessors? The Credit Interchange system is continually revealing the basic economic strengths or weaknesses of your customers. When you know of these in time, you are able to help your customer retain or recover business health. You are spared the loss of the best friend any firm can have—a loyal customer.



Your predecessors also knew that, just as in human beings, while an ounce of prevention is worth a pound of cure, all ills cannot be eliminated or checked by foresight.

For a long time they had relied upon outside agencies when accounts were in distress. But such agencies, whose fees came only when customer health was poor, had little reason for encouraging customer good health! The credit executives, therefore, established collection divisions in most of their Association's units. Creditor-owned and controlled, these divisions work toward the best interests of both customer and creditor.

Are you in this critical time, looking after your sick accounts by taking them to the best economic hospital, namely, the Collection Bureaus of your own Association?

Having established a clinic for diagnosis and a hospital for treatment, these pioneering credit executives realized that in certain critical cases there was something basically wrong with the economic health of the customer. Sometimes a major surgical operation appeared urgent. The question then arose as to how to perform this with the least disturbance to all interested parties. Here again, fair consideration for creditor and customer was paramount when the credit executives organized the Association's Adjustment Bureaus.

Have you accounts that require rebuilding or liquidation with the largest possible return for creditors? Our Adjustment Bureaus are expert in diagnosing which course is wisest, which procedure will provide the fairest solution and the minimum of waste.

The nation's credit executives have planned for the "ounce of prevention" in several ways—through the Association's Credit Interchange system, its National Institute of Credit, its publications, its legislative program, its Fraud Prevention work, and all of its other varied activities.

But if the "pound of cure" must be prescribed for an account, the modern credit executive calls on the Collection or Adjustment Bureaus of his own Association. In this time of national emergency and increasing credit problems, that is simply business wisdom.

So doing, he both acknowledges the contribution of his pioneering predecessors and reveals his own fine judgment in choosing the agencies which he owns and controls, which are operated in the best interest of his firm, his customer, and his nation's economy.

Henry H. Heimann

Henry H. Heimann
Executive Manager, N.A.C.M.

Credits In A Complex Industry

Selling 1,000 Products to 60,000 Accounts

Last year, FORTUNE, in describing a trainload of our calcium cyanamide, said "it may end up in your garden, in a gold mine in South Africa, a Mississippi cotton plantation, a Technicolor film, your refrigerator enamel, tomorrow's synthetic rubber, on California orange trees, in the coloring of your blue coal, in a soporific."

Yet calcium cyanamide is only one of our products, of which there are more than 1,000 produced in 29 plants and 4 mines. Our orders range from 50¢ to $500,000. They originate in all industries and come from all parts of the world.

From this it will be seen that we face no ordinary problem in granting credit and making collections. We cannot depend upon our knowledge of a single "line" to get us through. We are forced to keep reasonably well informed about almost the entire range of business. For we must approve orders for synthetic resins, calcium cyanide, ammonium phosphate, human and animal serums—all originating in different fields and from widely diverse companies.

From Pennies to Millions

FROM pennies to millions characterizes the dollar unit of the orders on which we pass. "How," I have sometimes been asked, "can a company as large as American Cyanamid afford to handle small credit orders?"

My answer is "How could we afford *not* to handle this business?" For all the credit systems in the world are as sounding brass if the human element is neglected.

We believe that the credit department, through proper handling, can increase the desire of a small account to do business with our company. I have, in fact, seen many of our small accounts grow into respectable volume. I understand the many arguments against "profitless" small accounts. It cannot be denied that

By **G. W. PATTERSON**

Credit Manager, American Cyanamid and Chemical Co.

some seem to require more detail than the amount involved justifies. Yet, if you went into a department store to buy a collar and were rudely treated, do you think you would return, later, to buy an overcoat? We want our accounts to come back to us with their large orders as well.

Efficient passing upon credit and collecting money due includes building good will. This, I feel, is one of the few fixed rules of credit work. Every activity of our department is conducted with this thought uppermost.

60,000 Active Accounts

WE have around 60,000 active accounts. In order to take care of the great detail involved in the flow of so much work, we make use of the most modern equipment available.

Our work is divided among 15 Credit Men, each of whom is in charge of a specific territory. Each Credit Man is responsible for passing on the credit of all orders within his territory and all collections necessary. There is no division of authority. Each man knows his own accounts thoroughly.

One of our problems had always been that of easy access to ledger records for our Credit Men. It was, of course, necessary for each man to know if any of his accounts were past due. Records abstracted from ledgers were time consuming and increased chances for errors. Direct access to the ledgers was not feasible. Six years ago, we found our solution in Recordak equipment. You have undoubtedly seen these photographic machines in banks and elsewhere. I doubt if you have ever seen our machines since they were specially made to fit in with our system.

IN our own office we photograph all of our ledger sheets. This takes about one second a sheet. Once each week, the film covering the ledgers in his territory are given to the Credit Man. He projects these through his Recordak. The image appears full size on a ground glass in a special housing, or hood. The Credit Man can find any ledger page he wants by simply twirling a knob. Sitting at his desk, dictating, he has an exact picture of the ledger sheet in front of him.

Each Credit Man follows up all collections the day he receives his film. This is an invariable rule, the need for which is obvious in a department such as ours.

Each Credit Manager has, in addition to his Recordak, a Dictaphone and the usual telephones. Some of my colleagues occasionally mention our "expensive" equipment. I believe this view to be short sighted.

Good Equipment Necessary

NO man can do a good job without good equipment. Our Recordaks, for instance, are not expensive gadgets. They represent a saving of time, energy and manpower in our department. They are an extra insurance of accuracy. They enable us to get our work done on schedule.

I do not believe in telling a man "do a first class job—but don't spend any money." Our Credit Men are encouraged to telephone or telegraph for information or for collection purposes. We try to give each man a full opportunity to use the brains for which, actually, we are paying him.

Sometimes a Credit Man must pass on a large order. The facts in our file are not definite enough to warrant immediate acceptance. The matter is referred to our Assistant Credit Manager. If he agrees that acceptance is unwarranted, the order is referred to me. If, after I have analyzed the situation, I am dubious, I refer it to our Assistant Treasurer. In rare in-

stances, when a sizeable order is involved, we confer with our Sales Manager as a court of last resort. In short, no important order can be turned down in our department without four separate and distinct analyses of all facts available.

Use N. C. R. Posting Machines

OTHER details of our routine do not differ greatly from similar activities in large companies. We use National Cash Register posting machines for the mechanical task of ledger entries. We maintain our credit files in our own department, within easy reach of all executives. We have had special desks and tubs made for our clerical help to work on ledger sheets.

Our work is divided into twelve districts, corresponding to our sales districts. Monthly trial balances are given me for each district. In order to avoid the confusion of a peak load on a single day, each district has its own trial balance day. San Francisco may be on the 9th, Chicago the 17th. Not only does this help simplify our clerical routine, but it also obviates the need for my examining all the balances on one day. I receive monthly Aged Trial Balances and also a Summary of all salesmen's Past Due Accounts.

Salesmen Taught to Cooperate

THE closest kind of cooperation exists between our Credit and Sales Departments. I am an active participant in sales meetings. When I speak at such meetings I can show the salesmen what the Credit Department needs in the way of information and assistance in handling accounts. Likewise, I am able to learn of sales policies at first hand. I keep in touch with sales programs and campaigns, gain an understanding of competition and the restrictions existing in certain fields. This knowledge is invaluable to me in laying out credit policies.

Much friction between sales and credit departments can be avoided by training salesmen and the Sales Manager to think of credit. It is not always easy to sell this idea to salesmen. Yet we have succeeded in doing it. Now, when a salesman starts work on a new account he will try to get information bearing on how large a line of credit can be granted. By discussing the order with his customer, the salesman paves the way towards having further credit information volunteered.

On the other hand, if we expect the salesmen to help us, we must be ready to help them. I have introduced our Sales Manager to company officers whom he would not, ordinarily, meet. However, even if an order were placed in my hands, I would never make a sale. That job belongs to the sales department. Our job is exclusively credit.

Personal Contacts Pay

I HAVE mentioned our attitude towards small accounts and our efforts to build good will. As a further step in this direction, I believe in personal contact with accounts. This means travelling—and both I and my assistant cover a world of territory in a year. This activity has paid handsome dividends to my company.

Among other things, personal contact with accounts has enabled me to correctly assay the worth of each individual salesman as a source of information. I know which are over optimistic, which are pessimists and which are simply careless observers. By comparing their reports with my own observations I know which ones I can depend upon for accurate facts.

Today, accurate facts are more valuable than ever. Present complexities place a heavier and more alarming burden on Credit Executives than ever before. Defense activities have created new problems of a pressing nature and of vast importance to credit men. For instance, companies with ample capital who promptly discount their bills may be shut off by priorities. They may fail to achieve their production goal, meanwhile hanging on and eating into their capital. Such firms may slow up and dissipate their capital to such an extent that their working position is destroyed.

Effect of National Defense

OTHER companies, sailing along on a thin margin, suddenly expand for defense orders. They lose sight of the fact that large organizations have high carrying charges. A sudden change in business and these mushroomed companies can collapse almost overnight.

Credit men today must exert the greatest care in passing on customers taking defense orders, particularly those manufacturing lines with which they are not familiar. There are many pitfalls in such work.

Unforeseen costs, products that fail to pass rigid (*Cont'd on P. 42*)

View of Mr. Patterson's Credit Department Office Showing Recordaks on Each Desk. One Hundred Feet of Film Shows Between 1,500 and 1,600 Ledger Sheets

Salesmanship in the Credit Dept

How Full Cooperation Boosts Net Profits

By GORDON D. SMITH
Chairman Manufacturers Confectionery Group, Chicago Association of Credit Men, Credit Department, Curtiss Candy Co.

Our mutual and widely known friend, Noah Webster, defines credit—"to believe—to trust—have confidence in." It is undoubtedly the primary duty of the Credit Department to believe, to trust, and to have confidence in customers. But the degree of actual credit extended is naturally safely and sanely dependent upon our information obtained, whether current or old, and whether favorable or otherwise. And if we as credit men and women representing our respective companies are going to make life-long business friends out of our customers, we are going to have to reach out and lend them a helping hand. Point out to them any weak spot which you may see reflected in the sworn statement. This is constructive criticism.

Credit people can be called salesmen, too. There are unlimited opportunities for salesmanship by the Credit Department. This department in any business establishment is a very important one. Good collections are imperative. The accounts receivable must be turned over rapidly. At the same time, it is vitally important to build up good will constantly, and to maintain it, too. This can be done—it must be accomplished.

The Credit Department and the Sales Department are very closely correlated. It is essential that they be congruent. In other words, one helps the other and vice versa. This wasn't thought to be true by the Sales Department many years ago. That time has passed. The day of the hard-boiled credit man has come and gone. It was finally brought to light that the credit man had another job to do besides merely collecting. It was necessary that he sell his department, his company's terms, his very own self to an account to such a degree that the customer would finally find it a pleasure to do business with the Credit Department. All this has to be handled in a most diplomatic way.

Just as salesmen are becoming more and more credit minded, credit men and women must keep in mind the sales angle. People are learning to think of a credit man not as one who always wishes to clamp down, to discourage, to say "No," but as a person who wishes to be of service, to help, to suggest, to analize and to wisely make a decision whether it be favorable or unfavorable as far as the customer is concerned.

Mutual Respect

THE average salesman today respects and admires the Credit Department. He knows that his orders will be promptly handled. He also knows that if conditions are not what they should be, that the credit man will show every consideration possible to him and the questionable account. There may be a slight delay due to attempting to secure all the available information possible. There is definitely a mutual understanding between salesmen and credit men today.

After the various reports requested are received, and these have been carefully perused, the salesman is advised of the facts. With diplomacy the credit man says or writes, "If you were I, what would you do in a case like this—it looks rather bad." And again on another account, "Let's try the fellow for awhile one shipment at a time, and if he discounts, fine—if not, you know the answer." Last but not least, "The C. O. D. account —what about it?" Advise the salesman—"As much as we'd like to, this account just can't have Open terms. Reports indicate that there is no basis for credit."

By treating the salesman with every respect due him, by considering him, by exercising patience in every case, by handling him just as carefully and as graciously as we would a customer, we automatically build up good will for ourselves and our companies. We often have heard it said, "charity begins at home." How true this is. By reflecting what good business stands for daily with our associates such as these salesmen, we are bound to help build up sales through them.

The Unused Credit Memo

TOO much stress cannot be placed on calling a customer's attention to an unused credit memorandum, be it large or small. Always put yourself in his place. Imagine getting a letter from your clothing store advising of a small credit memo due you which you had failed to use. You wouldn't forget that shop for a long time. You would probably mention this incident to others commenting particularly on the "principle of the thing" and not so much on the amount in question. You would

undoubtedly go as far as to recommend that your friends patronize this clothier, whose integrity is now beyond your questioning. The Credit Department should always be on the watch for unused credit memo on a customer's ledger card, and in a very gracious manner, call it to his attention. Suggest that he use this when mailing his next remittance covering a current shipment. An account always appreciates such alertness on the part of any of his creditors. Don't forget, we all enjoy hearing about a credit due us whether it be $20.00 or 20¢.

"Our hat is off to you, and after checking our records, we find that you are entirely right in the statement made in your letter of the 17th" was the exceptionally pleasing opening paragraph of a letter from one of our good southern customers in Virginia. A duplicate payment of several large invoices had erroneously been made by the account. Our department immediately notified this jobber of his serious mistake via Air Mail Special Delivery. There was very little time lost. The close of the appreciative letter reads, "We assure you that we shall always be grateful to you for the way you have handled this."

Everyone will agree without a doubt that this is a concrete example of real salesmanship by the Credit Department. Although this is probably a very simple and easy way of aiding the building up of good will, it is an opportunity which might readily have been overlooked and thus lost. One must, and usually does, take every advantage of any such opportunity afforded in credit work. Perhaps this customer would have found his error in due time, but had he written inquiring about such a thing, our archives would have been minus the splendid letter of commendation, and on top of that, the very essence of the thing: mainly, the good will created, would have been thrown to the winds.

Building Good Will

A GOOD friend of ours down in New York State usually pays all of his bills promptly, but every so often we receive a government penny post card from him advising us that he is a little pressed for cash at that moment. He asks our indulgence stating that he will be a trifle late in paying for that last shipment. There is no need for worry—his general setup is excellent. We have been selling him on open account for many years. Here is just another opportunity where the credit department can help tremendously to build up not only good will, but sales—by granting such an account a request like this. Such a conscientious customer should have an immediate reply. His card should be acknowledged—he should be told how glad the company is to cooperate with him in this instance. Praise him for the way he has handled his account with you all those years.

Sometimes we become so engrossed in our pounding away at collections that we forget about the good accounts, which are always in A-1 condition. Surely they deserve a pat on the back now and then; here is another chance to build up good will, mutual friendly business relationship by either correspondence or a personal call. Write such a customer—

"This notation appears at the top of your ledger card, 'Account opened Jan. 5, 1934.' That's a long time ago. We appreciate this patronage and we especially like the way in which you have handled your account with us. "It is our hope that we shall continue to serve you by filling your requirements for our merchandise for many years to come. Our

business relationship has been a pleasant one, and we are glad to offer our assurance of utmost service and general cooperation from every angle.

"With our very best wishes for your continued success, we are."

Customer is Pleased

LETTERS of this type go over big. The customer is always pleased. This letter cannot be honestly written to every customer, of course. A personal call will do the same trick, probably to even a more impressive degree for a credit man is always, and if not should be, a good will ambassador.

Many credit men always inform any account when they sincerely believe that the amount of fire insurance carried is not adequate—they suggest that the amount be raised to fully cover the entire stock. This idea has been successful and he usually welcomes the interest shown, and covers his concern with the proper amount of fire insurance, thus not only aiding himself, but his numerous suppliers as well. A customer should appreciate this being called to his attention. After all, a credit man is not going to be very liberal at passing a large order for shipment on an open account basis when he knows the merchandise will not be covered by insurance after it arrives. Often financial statements show that companies carry too little insurance. When this is pointed out, it is very quickly remedied, and thanks is given the credit department for its interest in informing them of this seeming negligence.

Another angle comes to our attention in the building up of good will and the salesmanship by the department in which we, as credit men and women are so interested and concerned. This is the problem of very carefully turning an account down on allowing full credit on some adjustment when not warranted. This is a very touchy problem—usually a precarious situation. It can be done and successfully, too. Give the customer true facts, his purchases, the percentage and ratio of the requested adjustment to his purchases. Tell him that you want to be fair inasmuch as you have done business with him for sometime and appreciate his patronage. Conclude this "build up" letter with this statement: "Does this meet with your approval—We are willing to go 50-50 with you." A recent response from one of our Kansas accounts to just such a letter read, "We thank you for your letter of April 7, and think your offer of 50% is very fair." What more could you ask? By refusing to allow full credit you do not have to lose any good will, but can sell your department, your company, your commodities, yourself to a customer, and the good will already established in previous years of dealings will continue to be yours.

Handling Unearned Discounts

UNEARNED discount is another phase of credit work which although a trifle touchy to handle, can be taken care of very harmoniously. First of all, sell the customers on the idea of the fairness of discount being allowed to only those accounts who pay bills strictly in accordance with terms. Emphasize the unfairness of anyone taking advantage in deducting discount when the bill is actually past due at the time the check is written. Stress how one cannot be partial or deviate in any way but that all customers must be treated alike. Mention that we expect their closely adhering to our terms just as we presume they require it of their customers, the retailers in turn. Go so far as to explain to an account how it would be worthwhile to borrow money at the bank at 6% interest in order to discount all invoices. Once an account is on a discount basis, pride alone will keep that customer that way. It is human nature, to want to be praised. A discounting account deserves praise—a little goes a long ways and how it helps to hold the good will of that customer.

Enthusiasm is probably one of the most essential requirements for selling. We must be more than interested in what we are attempting to sell. In the credit department we are selling service, we are selling ourselves, we are selling good sound reasoning and judgment, and last but not least, we are indirectly selling our respective products. Convince the sales department of your unlimited value to your company. Be firm in your convictions. Express a willingness to lend 100% cooperation—express, too, the anticipated reciprocation by the sales department. Get out and make personal calls — jobbers welcome credit people and why not? It is surprising to find how many problems, misunderstandings, adjustments, etc., we can help solve for the jobbers on whom we call.

Customers are proud to take a credit man through their stock rooms, to have them inspect their business establishments, and in some cases, to allow them to see their books. A salesman is without a doubt taken for granted by customers—they expect to see them at a certain time of the day on a particular day of the week, but a credit man calling on a jobber is a rare occasion—it is out of the ordinary, and consequently very different. These contacts must be built up and the more we accomplish this purpose, the more good will we are going to acquire for our companies. Sales will be proportionately increased.

Heimann's Inflation Views Quoted Widely

Extensive favorable comments on the anti-inflation proposals of NACM Executive Manager Henry H. Heimann, which were carried in the Association's Sept. 15 Monthly Business Review, were published in the nationally-syndicated column "The National Whirligig."

The column is conducted by S. Burton Heath who won the Pulitzer prize for his reporting and expose of the "sale of justice" by Federal Judge Martin Manton in 1939.

Mr. Heath's column, containing his favorable comments on Mr. Heimann's program to combat inflation, was carried in 97 newspapers located in 27 states.

In the October 18 issue of his column, Mr. Heath again quoted the Executive Manager's Monthly Business Review in the course of a discussion on the problem of higher taxes and of the ability of business firms to meet them.

How To Buy Insurance

Some Timely Suggestions To Financial Executives

There is an easy answer to the above question for those who seek an easy rather than an adequate solution. The insurance buyer need simply call cousin Joe or friend Tom who is in the insurance business, turn the whole problem over to him and forget about it.

The insurance buyer who is conscious of the need for adequate protection of his firm, however, will be more interested in the types of insurance essential to his individual business and the maximum amount of protection obtainable for the premium expended. He will seek a reasonable knowledge of common insurance coverages such as fire and automobiles, and will investigate the lesser known types. In particular, he will calculate the sources of danger existing in the business and arrange insurance protection against these risks.

Knowledge of insurance coverages themselves, and the relating of this knowledge to the needs of a business may be accomplished without great

difficulty and will enable the insurance buyer to cooperate more intelligently with his agent or broker in preparing an adequate insurance schedule.

MOST N. A. C. M. members have a twofold interest in insurance.

By **JOHN E. BEAHN**
Special Writer, Baltimore, Md.

Many credit executives are buyers of their own firm's insurance and all of them are interested in the insurance carried by customers, since that is an important factor affecting credit.

These two considerations explain the very evident interest of the N. A. C. M. in insurance as demonstrated by the organization of an Insurance Group within the Association and the cooperation with commercial insurance carriers which led to the Insurance Statement form.

Naturally, the insurance needs of the companies represented by these members are not identical, but members have found a common ground in the principles of insurance which are identical in their application to all firms.

SIMILARLY, the fundamental principles upon which the purchase of insurance should be based are identical in their application to all classes of insurance buyers regardless of size or industry. The large manufacturer and the small retailer are confronted by the same problem: protection of their firm against a damaging loss. Both must secure insurance protection. The only difference is in the particular types of coverage each must buy and, of course, the number of figures following the dollar mark. The principles remain constant.

It is the purpose of this article to provide certain guide posts which may be useful to insurance buyers of all types. It is intended primarily for buyers in firms which may need many lines of insurance but who are unable to buy all types because of budget limitations. The principles outlined, however, will not be limited to this group but may be used advantageously by all executives to select the most necessary insurance coverages.

The average commercial insurance buyer, privileged to buy all necessary forms of protection, would purchase

most of the following twenty-two lines:

- Fire Insurance
- Extended coverage endorsement
- Business interruption
- Sprinkler leakage
- Accounts receivable
- Unearned premium
- Ocean marine
- Trip transit
- Parcel post
- Automobile liability and property damage
- Automobile fire, theft and collision
- Non-ownership automobile liability
- Public liability
- Elevator liability
- Product liability
- Workmen's compensation
- Various burglary forms
- Boiler and machinery
- Plate glass
- Credit
- Fidelity bonds
- "Key-man" life insurance

ADMITTEDLY, a limited insurance budget might interfere with the wishes of the insurance buyer, forcing the elimination of such protection as could be sacrificed without sacrificing the security of the business. The budget, however, is not sufficient reason for a faulty insurance schedule. Thoughtful insurance buying will offset budget difficulties to some extent and permit a satisfactory

insurance plan. Reduction of insurance coverages need not become an arbitrary and demoralizing sacrifice of protection but should be a planned and carefully executed business policy.

Too often, a reduced budget is reflected by summary discontinuance of liability insurance forms—automobile, public, elevator and the like—on the assumption that these forms are primarily for the benefit of the other fellow. The primary truth, the base from which the insurance buyer must reason, is that all insurance benefits the purchaser. Protection of assets against depletion resulting from public liability is fully as important as protection against fire, burglary or

other forms of direct loss. There is no form of insurance, property, liability, or even life, that is written exclusively for the benefit of the other fellow.

How Insurance Helps

A PERSON injured by a company car or truck may be awarded a judgment for $5,000 or $10,000, but the insured receives a greater benefit because the firm is relieved of paying the judgment from company funds. The plaintiff would have received the same award if the defendant had no insurance. The insurance company simply assumes the obligation of the insured. Of course, the insurance company also pays legal expenses, court costs, investigation expenses and the like, services related to the primary purposes of the insurance but tremendously important in themselves.

The same is true of elevator, products and other forms of liability insurance. Injured persons receive compensation but the insured is relieved of legal liability by the insurance company.

It is evident, therefore, that liability insurance should receive the same consideration granted to property insurance. The insurance executive should not be influenced to buy the one and exclude the other; he should buy insurance according to the needs of the business.

What Are Real Needs?

THESE needs for any firm can be determined with reasonable accuracy. Every business, small or large, has certain inherent hazards which threaten the profits or even the continued existence of the firm. Auto fleets, records, boilers and machinery, sprinkler systems are all sources of loss. Some present greater danger than others, some cause losses more frequently than others, some cause larger losses than others. Insurance buying should be governed accordingly.

The insurance buying executive can chart these hazards and determine the probable number of losses (frequency of loss) and approximate amount of losses (severity of loss) from each hazard. Transposed into the 22 forms of coverage listed previously, his final tabulation might resemble the following example:

Tabulation of Insurance Needs

According to Probable Frequency of Loss	According to Possible Severity of Loss
Workmen's compensation	Workmen's compensation
Auto fire, theft and collision	Fire insurance
Non-ownership auto liability	Extended coverage endorsement
Credit	Business interruption
Boiler and machinery	Ocean marine
Various burglary forms	Auto liability and property damage
Auto liability and property damage	Non-ownership auto liability
Ocean marine	Public liability
Trip transit	Product liability
Parcel post	Elevator liability
Public liability	Credit
Elevator liability	Boiler and machinery
Product liability	Fidelity bonds
Plate glass	"Key-man" life insurance
Fire insurance	Sprinkler leakage
Extended coverage endorsement	Auto fire, theft and collision
Business interruption	Trip transit
Unearned premium	Accounts receivable
Accounts receivable	Various burglary forms
Sprinkler leakage	Unearned premium
Fidelity bonds	Plate glass
"Key-man" life insurance	Parcel post

Merely as a Guide

THIS classification is not intended as an absolute method for selection of coverages but only as a guide. Other factors affect the priority of any one coverage over others. One of these would be the degree of control that can be exercised over a particular hazard. Some hazards, such as fire or ocean marine are almost completely beyond human control while others such as burglary and fidelity lend themselves to some appreciable measure of loss prevention.

Such a tabulation facilitates selection of the most necessary forms of protection. The coverages are graded in each classification in the order of their importance, providing a basis for consideration and final selection.

Of the two classifications, "Possible Severity of Loss" is the more important. Fire losses may not be numerous while minor collisions of delivery trucks may be weekly incidents. But one fire loss could destroy all physical assets and put the firm out of business within a few hours while the maximum collision loss would be the destruction of a single truck. The purchase of fire insurance on the plant, therefore, would be more necessary than automobile collision.

What Should We Buy?

THIS inspires another question: is it more important to purchase insurance protection against large individual losses or against the most probable form of loss—or should some of each be purchased? Should insurance be bought first to cover a loss of $5,000 from some hazard

which has never caused a loss, or to cover a hazard that periodically causes losses of $1,000; or should the firm have both forms of insurance?

If the budget permits, full coverage in both forms should be purchased. This would supply protection against the large, infrequent loss and inspection service to reduce the periodic losses. That would be the ideal solution, for it would protect assets against sudden and serious depletion

from a large loss and probably result in a reduction of overhead costs by reducing both the number and extent of the smaller but recurring losses.

Refusal to buy full limits of protection when money is available is a penny-wise, pound-foolish practice. The insurance carrier incurs little additional expense in issuing policies with large limits. Consequently, higher limits of coverage can be added for a relatively slight additional premium. This is illustrated in

the following table of automobile liability insurance rates:

Limit of Liability		
One Person	One Accident	Cost
\$5,000	\$10,000	100%
10,000	20,000	115%
25,000	50,000	127%
50,000	100,000	132%
100,000	300,000	137%

The amount of insurance can be increased 20 times (from 5/10 to 100/300) for an additional premium of only 37%.

"First Things Come First"

THE actuality of the budget may not permit such perfection. The insurance buyer seeks full insurance protection against all hazards but, if the budget interferes, some forms of protection must be sacrificed. The individual insurance buyer, in this dilemma, can simplify his problem by first eliminating from consideration those losses which could not affect the continuing operations of the firm.

Many losses are of this type. Plate glass in the interior of a factory may be a source of loss but breakage would not affect operations of the firm nor necessarily deplete cash. Such a hazard need not be insured, therefore, if the budget permits only a minimum of insurance.

Show window glass in a department store would be a different matter. These windows are directly responsible for many sales, so broken glass should be replaced as quickly as possible that sales will not suffer. The department store, however, could probably eliminate some form of insurance considered mandatory in a factory.

Stability Most Important

THE insurance buying executive with a limited budget should be guided by the principle that the financial stability of his company is the major consideration, that those forms of insurance are most necessary which contribute most to financial stability.

This may solve the problem for a few. But, if the budget is still too limited, should available money be spread over many different insurance forms?

Yes, even though the amount of protection under each form would not afford adequate protection against the individual hazards. This may appear to violate the principle that insurance is designed to protect against the large, unexpected loss rather than small, recurring losses. That question is academic, for there are two excellent reasons to justify the spreading of insurance money.

First, most insured losses are small. Infrequently, the courts may award a judgment for \$20,000 or more in a personal injury case, or fire may completely destroy a building, but either is comparatively rare. The insurance buyer of limited funds, forced to gamble in some manner, should gamble against a large loss from any hazard rather than to gamble against a particular hazard by refusing to insure against it.

Effect of Co-insurance

FIRE insurance subject to the co-insurance clause would not lend itself to such a plant. If the insured fails to carry insurance in the amount specified, he will be forced to assume some part of each loss no matter how small. As a matter of fact, violation of the co-insurance agreement may be very costly. If state laws require a co-insurance clause, it may be more advisable to carry a large block of fire insurance and reduce other coverages accordingly.

Second, even though insurance protection may be insufficient for complete protection against a large loss, the insured is entitled to valuable services which, otherwise, would cost far more than the premium required for the policy.

The fire insurance carrier will provide an inspector to help reduce the possibility of fire and especially of an all-consuming fire; casualty insurance company safety engineers will eliminate or reduce risk from other hazards; excellent legal talent will defend the insured in suits of liability. At least part of a loss will be covered by insurance while, of greater importance, the insured will be relieved of many expenses incidental to the loss. In addition, some measure of safety will be enjoyed through loss prevention suggestions of inspectors and engineers.

Sincere cooperation with fire inspectors and casualty company engineers will inevitably reduce the cost of the various coverages. Money saved in this manner can then be used to purchase other necessary policies or to increase the amount of insurance.

Insurance Lectures

INSURANCE and its close relationship to business problems will be given extended consideration in a series of six lectures on insurance for senior credit executives, under the auspices of the Educational Committee of the Chicago Association of Credit Men.

These lectures will be delivered each Monday evening from October 20 to November 24 from 6:30 to 8:00 o'clock at the Central YMCA College, 19 South LaSalle Street. Following the course a special tour of the Underwriters' Laboratory, 207 East Ohio Street, will be arranged to witness the laboratory's operations in tests and experiments to minimize loss of life and damage to property.

The cost of the entire course of six

lectures including the visit to the Underwriters' Laboratory and the complimentary dinner on December 1 will be \$5.00.

Those who intend to take this course are urged to send in their reservations at once.

Commercial Credit Analysis—Part VII

The Further Analysis of Receivables

By **EDWARD F. GEE**

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An essential supplementary table to the intelligent appraisal of the receivables asset is an aging of the balances that make up the total. Such a summary may either segregate the gross amount of outstanding receivables according to the months in which charged or according to the relation of the balances to their maturity dates. An illustration of the former method would appear as follows:

Age of Accounts Receivable December 31, 1939

Charged During:	Amount	Per Cent of Total
Dec.	$18,000	40.9%
Nov.	11,000	25.0
Oct.	8,000	18.2
Sept.	4,000	9.1
Prior	3,000	6.8
Total	$44,000	100.0%

A variation of this procedure is to age the outstanding balances to show the portion of the total that is not due and the various gradations of the extent to which the remaining balances have passed thir maturity dates. An illustration of this method is given below:

Age of Accounts Receivable December 31, 1939

	Amount	Per Cent of Total
Not due	$18,000	40.9%
1 to 30 days	11,000	25.0
31 to 60 days	8,000	18.2
61 to 90 days	4,000	9.1
More than 90	3,000	6.8
Total	$44,000	100.0%

Both summaries are highly informative to the analyst and one or the other should be made a routine part of every audit report prepared for current credit purposes. Perhaps the latter variation has greater significance in itself as it definitely relates credit terms to the amounts owing without the necessity of an extraneous comparison. However, where terms of sale are known and are relatively stable, the first presentation is equally as serviceable. If net selling terms are 30 days (as is true in so many lines, then for all practical purposes there is no difference in the interpretation of the two forms.

It will be noted that the examples given are headed to reflect the aging of trade *accounts* only. If the nature of the business is such that notes or acceptances are received in payment of sales as a matter of course then they may be either integrated into the aging of accounts or segregated by maturity in a separate summary. The latter course would seem preferable where the amounts involved are large.

Interpretation of Account Agings

THERE is a direct relationship between the slowness of accounts receivable and bad debt losses. The longer that an account is permitted to remain unpaid, the greater grows the likelihood that it will not be realized in full and, at the same time, the extent of the probable deficiency advances apace. From one source we have obtained the following estimate of the proportionate depreciation that may be expected on entire classes of retail accounts according to age:[1]

How Accounts May Depreciate With Age

Age of Accounts	Depreciation per cent
30 days	5
60 days	7
90 days	10
4 months	14
5 months	19
6 months	37
1 year	58
2 years	74
3 years	83
5 years practically	100

The same source goes on to quote the following estimates of bad debt losses on accounts six months or more slow: 32 per cent, U. S. Department of Commerce, *Consumer Debt Study;* 33 per cent, National Retail Credit Association; 35 per cent, J. V. Smith, management expert; and 50 per cent, American Credit Indemnity Company.[2]

A variation of the same theme is found in the following table which has been suggested by a man of long experience in the collection of business receivables:[3]

Collectibility Based on Age

60 days	89%
90 days	74%
6 months	67%
1 year	45%
2 years	23%
3 years	15%
5 years	Nil

While all of the foregoing figures are primarily applicable to the accounts receivable of retail establishments, it seems reasonable to suppose that the same principle of progressive deterioration in value with advancing age is equally as true of the receivables of other forms of business organization.

Thus by viewing the internal makeup of the receivables asset through

[1] Phelph, Dr. Clyde Williams, "Age Analysis of Charge Accounts," (Published by Household Finance Corp., Chicago, 1937), p. 11.
[2] *Ibid.*, p. 12.

the aid of an aging, the analyst is able to appraise the condition of the accounts and to estimate the extent to which the balance sheet total should be scaled to approximate a more soundly conceived realizable value. By relating the reserve for bad debts to the proportion of total accounts in the older age classifications, he is able to form his own opinion of the adequacy of the reserve provided to cover the likely deficiences of realization. By comparing age classifications from one statement date to another, he is able to detect at a glance indications of developing laxness in credit and collection policies and of movements toward strength or weakness in the structure of the receivables asset in the balance sheet.

Aids to Comparative Analysis

TO provide for a running comparison of age classifications at the same date over a period of years, it is suggested that the analyst arrange to transcribe account agings to columnar comparative forms just as he may transcribe balance sheets and operating statements. The descriptive column at the left may be left unprinted and classifications written in to conform to those used in a given method of presentation. As a mechanical aid to facilitate the observance of variations in group proportions, sub-totallings should be inserted in the comparative spread in the following manner:

	Dec. 31, 1938		Dec. 31, 1939	
Charged During	Amount	%	Amount	%
December	$20,000	47.0%	$18,000	40.9%
November	13,000	30.6	11,000	25.0
Sub-total	$33,000	77.6%	$29,000	65.9%
October	7,000	16.5	8,000	18.2
Sub-total	$40,000	94.1%	$37,000	84.1%
September	2,000	4.7	4,000	9.1
Sub-total	$42,000	98.8%	$41,000	93.2%
Prior to September	500	1.2	3,000	6.8
Total	$42,500	100.0%	$44,000	100.0%
Less: Reserve for Bad Debts	2,000	4.7	2,500	5.7
Net Total	$40,500	95.3%	$41,500	94.3%

The sub-totals in the foregoing summary permit a ready comparison of group classifications. We are able to see instantaneously that 65.9% of total receivables were under 60 days old at the close of 1939, comparing with 77.6% in 1938; that 84.1% were under 90 days old, comparing with 94.1%; and that 93.2% were under four months old, comparing with 98.8%. Without the aid of sub-totalings, the same information would require mental or penciled additions whenever a comparison was desired.

Burden of Slow Receivables

THERE are other implications to be drawn from an aging of receivables aside from the direct reflection on the realizability of the balances shown. The existence of old, slow accounts on the books may have a retarding effect on current business activity. When customers become unduly delinquent in their payments on old purchases they may begin to carry their current business elsewhere. An analysis of the accounts in one retail grocery showed that 17% of the customers 30 days' slow made no purchases during a current month, 28% of those 60 days' slow had stopped buying, and 70% of those 90 days' slow and over had apparently transferred their current purchases to other stores.[4] Hence an excessive proportion of slow accounts not only weakens existing balance sheet strength but may well prove a hindrance to the continued maintenance of profitable sales activity.

It is also true that slow receivables saddle a business with increased costs which hamper its prospective profitability. Bookkeeping and collection expenses advance as accounts become slower and more troublesome; interest expense rises as additional bank borrowings become necessary to carry the total; and cash discounts on purchases may be lost because working funds have become tied up in unwarrantedly sluggish receivables.

SINCE the proportions of outstanding accounts in the various age classifications will always add up to 100%, an increase in one group over the preceding statement date will have to be accompanied by a decrease in another group or groups and, conversely a decrease in one age group will be necessarily offset by an increase in some other group or groups. For this reason it is frequently difficult to determine whether a comparison of agings discloses an improved or a weakened condition with respect to receivables as a whole. In the above comparison for instance, how are we to say which aging evidences the greater strength?—

	Dec. 31, 1938		Dec. 31, 1939	
Charge Dates:	Amount	%	Amount	%
30 days and under	$21,137	19.0	$15,349	13.7
31 to 60 days	42,308	38.1	50,460	44.9
Sub-total	$63,445	57.1	$65,809	58.6
61 to 90 days	17,600	15.9	12,071	10.8
Sub-total	$81,045	73.0	$77,880	69.4
91 to 120 days	13,987	12.6	19,734	17.6
Sub-total	$95,032	85.6	$97,614	87.0
Over 120 days	16,013	14.4	14,646	13.0
Total	$111,045	100.0	$112,260	100.0

While accounts in the most current charge classification fell from 19.0% of the total at the close of 1938 to only 13.7% at the 1939 statement date, this was more than offset by an increase in the next age group from 38.1% to 44.9% so that the proportion of all accounts under 60 days old had improved from 57.1% to 58.6%. A comparison of the next sub-total discloses the 1939 total at a disadvantage with only 69.4% of total receivables under 90 days old comparing with a 73.0% relationship at the close of 1938. When we view the proportion under 120 days old, however, the tide has turned again in favor of the later year with 87.0% of the total in this classification against 85.6% for 1938.

Is the receivables asset as a whole at the close of 1939 stronger or weaker than it was at the preceding year-end?

[3] From an address delivered by Mr. Lyman P. Weld, Longmont, Colorado, Chairman of the Collection Service Division of the Associated Credit Bureaus of America, Inc., before the Annual Convention of the National Retail Credit Association in San Francisco, June, 1939.

[4] Phelps, *op. cit.*, p. 9.

An Age Index of Receivables

TO coordinate all of the proportions within an age analysis and to combine them into one unified and responsive indicator of age strength, we suggest the computation and use of an "Age Index." This is simply a method of weighting the total accounts that fall in each age classification by a figure approximating the average age of that group and then reducing the sum of the resultant products to a single index average by dividing it by the total of outstanding receivables. Subject to the nearness to which the age weightings approach the true average age of each group, the final figure will approximate the average age of the receivables asset as whole.

Regardless of the exactness at the age weightings, however, the progressive heaviness of the weightings as applied to the older groups will cause the final average to be a valuable and significant index to the consolidated strength of the receivables asset. Comparisons from period to period are thus facilitated as the analyst is able to ascertain the trend of the internal age strength of receivables by the observance of the movements of a single index figure.

The first step in the computation of the index is the assignment of weightings to each age classification. Referring to the example previously used, we might assign weights in an age arrangement of this kind on the following basis:

Charge Dates	Weight
30 days and under	15
31 to 60 days	45
61 to 90 days	75
91 to 120 days	105
Over 120 days	135

The weight assigned is intended to approximate the average age of the accounts in each age classification. It does not seem unreasonable to assume that the average age of all accounts up to and including 30 days' old will approximate 15 days, or that the average age of accounts from 31 to 60 days will be in the neighborhood of 45 days, and so on. However, it is not at all essential that the weights used represent true averages for each group. The important principle to observe and maintain is *the assignment of proportionately heavier weights to each group as its age increases and to use these same weights consistently from period to period.*

Applying the weights selected to the dollar outstandings used in the example, the Age Index for December 31, 1938, is computed in the following manner:

Charge Dates	Amount	Weight	Product
30 days and under	$21,137	multiplied by 15 equals	$317,055
31 to 60 days	42,308	multiplied by 45 equals	1,903,860
61 to 90 days	17,600	multiplied by 75 equals	1,320,000
91 to 120 days	13,987	multplied by 105 equals	1,468,635
Over 120 days	16,013	multiplied by 135 equals	2,161,755
Total Receivables	$111,045	Total Products	$7,171,305

$7,171,305 (total products) divided by $111,045 (total receivables)
equals
64.6
(the Age Index for 1938)

Similarly, the index may be computed for the receivables outstanding at the close of 1939 in the manner outlined below:

Charge Dates	Amount	Weight	Products
30 days and under	$15,349	multiplied by 15 equals	$230,235
31 to 60 days	50,460	multiplied by 45 equals	2,270,700
61 to 90 days	12,071	multiplied by 75 equals	905,325
91 to 120 days	19,734	multiplied by 105 equals	2,072,070
Over 120 days	14,646	multiplied by 135 equals	1,977,210
Total Receivables	$112,260	Total Products	$7,455,540

$7,455,540 (total products) divided by $112,260 (total receivables)
equals
66.4
(the Age Index for 1939)

What Age Index Shows

THE Age Index of 66.4 for 1939 compares with 64.6 for the preceding year-end, an advance of 1.8 or 2.8% which we must interpret as representative of an unfavorable trend. Since the index is based on the age of the balances and may approximate, as it does in this instance, the average age of the outstanding accounts, an advance in the figure is indicative of older, slower accounts and must be interpreted unfavorably while a decline, conversely, is a favorable sign of reduced average age. We may say, then, that in the example cited, the receivables asset as a whole was somewhat weaker at the close of 1939 since the average age of the accounts outstanding at the close of that year was slightly heavier, marking a tendency toward a less satisfactory condition within the asset total.

By following the Age Index from year to year, favorable or unfavorable trends are observable from their inception at a glance.

So far as the mechanics of computation are concerned, the extent and nature of the labor involved are by no means obstacles to the use of the index. With the aid of a comptometer and an established routine of procedure, it is but a matter of moments for any junior clerk to compute an index accurately and efficiently.

AS valuable as account agings are, they can by no means be relied on to tell the full story. They show the quantity of outstanding receivables that fall in each age classification at the close of a period but since they do not relate these quantities to any source factor, errors of interpretation may frequently result. This is particularly true where a comparison of agings is concerned because the sales volume that created the receivables in each age group may be far from identical between periods.

For instance, if $60,000 or 60% of the receivables outstanding at December 31, 1939, had been charged within 60 days of the year-end, comparing with $50,000 or 50% of the total in the same classification at the close of 1938, it would be reasonable to assume that an improvement had taken place in the quality of the receivables asset. Suppose, however, that charge sales for the last two months of 1938 had amounted to $200,000 and had dropped off to $120,000 for the two closing months in 1939. Then we are struck with the fact that November and December sales were only 25% uncollected at the close of 1938 while 50% of the sales for these two months remained outstanding at the close of 1939. Obviously, this would cause us to reconsider our conclusion that an improvement had taken place and impel us to seek further information regarding the condition of outstanding accounts.

We are brought, therefore, to a realization of the need for a means of tying in the ratio of receivables to sales, as discussed in the preceding chapter, with the age classifications of the outstanding balances. If we can devise a method of doing this, we can eliminate one of the primary weaknesses of the receivables to sales ratio—that attributable to the lack of direct comparability between sales of an entire year and receivables created by the sales of only the closing months of the year—and, at the same time, eliminate the weakness in age classifications due to the failure to relate the outstanding balances in each group to a quantitative source factor.

Ratio-Aging Receivables to Sales

ALL that is necessary to effect a very illuminating comparison of receivables by age groups with original sales quantities is an aging of receivables at the close of the period and a monthly analysis of cash and credit sales, which, as previously suggested, should be made a part of every complete audit report submitted for credit purposes. Then the remaining unpaid balances on each month's sales can be related to the total charge sales for that month. We might call such a process "ratio-aging receivables to sales" since it is merely the computation of the ratios of outstanding receivables by age groups to the charge sales for these respective group classifications.

To illustrate a procedure of this kind, let us assume that an aging of receivables at December 31, 1939, disclosed the following proportions:

Charged During:	Amount	%
December	$185,000	62.7%
November	45,000	15.3
October	35,000	11.9
September	15,000	5.1
August	8,000	2.7
July	2,000	0.6
Prior to July	5,000	1.7
Total	$295,000	100.0%

And that an analysis of sales for the year revealed monthly charges as follows:

Charge Sales:	Amount
December	$225,000
November	150,000
October	140,000
September	100,000
August	80,000
July	75,000
Prior to July	1,030,000
Total for year	$1,800,000

The ratio of receivables to sales is 16.4% (computed by dividing total receivables of $295,000 by total charge sales of $1,800,000) which means that 16.4% of total charge sales for the year 1939 were uncollected at the close of the period. On the basis of average daily sales for the year, the outstanding receivables represent approximately 60 days' sales (16.4% of 365).

It is apparent, however, that daily and monthly sales vary considerably throughout the year and therefore it is far more significant to employ the "ratio-aging" process and to relate the remaining unpaid balances on each month's charges to the total charges for that month in the following manner:

Month	Charge Sales	Unpaid Receivables	Ratio	Days
December	$225,000	$185,000	82%	25
November	150,000	45,000	30	9
October	140,000	35,000	25	8
September	100,000	15,000	15	5
August	80,000	8,000	10	3
July	75,000	2,000	3	1
Prior to July	....	5,000	..	..
Total Receivables		$295,000		

Due allowance is thus made for variations in monthly sales and the resulting ratios, expressed either in percentages or in terms of days, provide a sounder basis for making comparisons with the receivables shown at preceding statement dates or with selling terms.

It will be noted that no attempt is made to relate the $5,000 of receivables originating prior to July to a sales factor. They are relatively negligible in amount and there is no need to carry the analysis to an unwarranted extreme. The six-months' period covered in the illustration is sufficiently extended to serve in a majority of instances. The analysis should be shortened to three or four classifications where conditions warrant.

A Ratio-Age Index

FOR convenience in statistical studies and to facilitate the observance of age trends as a whole, it is desirable that the monthly relationships derived in the ratio-aging process be synthesized into a single index figure. This may be accomplished by weighting the monthly ratios in a manner similar to that employed in the computation of the Age Index and then dividing the sum of these products by the sum of monthly ratios. Using the ratios developed in the preceding illustration, the "Ratio-Age Index" for December 31, 1939, may be computed as follows:

Month	Ratio	Weight	Product
Dec.	82	15	1,230
Nov.	30	45	1,350
Oct.	25	75	1,875
Sept.	15	105	1,575
Aug.	10	135	1,350
July	3	165	495
Prior	5	195	975
Totals	170		8,850

8,850 (sum of products) divided by 170 (sum of ratios)
Equals
52
(the Ratio-Age Index)

As in the computation of the Age Index, the weights used approximate the average number of days that each classification of receivables is removed from the statement date. For instance, the amounts charged in August are from 120 days to 150 days removed from December 31; therefore, an average of 135 is used for this classification.

An arbitrary ratio of 5 is given to the accounts originating prior to July although we had previously computed no sales relationship for this group. This is done in order that the weight of these old accounts may be properly felt on the index. The relationship is empirically stated at 1% for every $1,000 of receivables in this classification because this seems reasonable under the circumstances. Depending on the amounts involved, it might just as well be 1% for every $100 or 1% for every $10,000; the important thing is to be consistent from period to period and to assign some reasonable sales relationship to the group in order that its influence may be felt.

The weighting applied to the last group is also arbitrary to the extent that it gives no greater weight to that portion of the oldest account classification originating beyond seven months from the statement date than to that portion originating within the seventh month. This, manifestly, should have little or no bearing on

the validity of the index under ordinary conditions.

Value of the Ratio-Age Index

IN order to establish the virtue of an index figure which not only takes into consideration the age of the account balances outstanding at a statement date but also relates these balances to the sales totals from which they originated, let us take the receivables used in the last illustration as of December 31, 1939, and appraise them by a comparison with the receivables shown at the preceding year-end by age analysis as well as by the usual ratio method:

Comparison of Account Agings

Charged During:	December 31, 1938 Amount	%	December 31, 1939 Amount	%
December	$150,000	61.2%	$185,000	62.7%
November	40,000	16.3	45,000	15.3
Sub-total	$190,000	77.5%	$230,000	78.0%
October	30,000	12.3	35,000	11.9
Sub-total	$220,000	89.8%	$265,000	89.9%
September	15,000	6.1	15,000	5.1
Sub-total	$235,000	95.9%	$280,000	95.0%
August	4,000	1.6	8,000	2.7
Sub-total	$239,000	97.5%	$288,000	97.7%
July	1,000	0.4	2,000	0.6
Sub-total	$240,000	97.9%	$290,000	98.3%
Prior to July	5,000	2.1	5,000	1.7
Total	$245,000	100.0%	$295,000	100.0%

On the basis of a study of this age analysis, there is certainly nothing to indicate a weakening of the receivables structure at the close of 1939. On the contrary, there appears to be some nominal improvement so far as relative agings are concerned. Nearly 63% of the total was charged during the last month of the year, comparing with only 61.2% at the close of 1938, and this improved currency continued to a lesser degree right on through the sixty-day sub-total and even to the ninety-day sub-total. At the same time, the accounts over five months old had dwindled nominally in relative importance and those originating prior to July represented only 1.7% of the total against 2.1% at the 1938 year-end. We might say that the results of our comparative age analysis are moderately positive.

Total charge sales for the year 1938 amounted to $1,500,000 and advanced to $1,800,000 for the following period. Relating year-end receivables to these totals, we get a receivables to sales ratio of approximately 16.4% for both years. With receivables unchanged at 60 days of annual charge sales at the close of 1939, we have no reason whatever to suspect a slowing of collections. Coupled with the results of our age analysis, we are inclined to feel that if there has been any change it has been for the better.

But let us see what our Ratio-Age Index reveals. We have already computed the index on the basis of the receivables outstanding at December 31, 1939, and have derived an index figure of 52 (see previous). Using exactly the same methods, the index for 1938 is computed in the following manner:

Month	Charge Sales	Unpaid Receivables	Ratio	Weight	Product
December	$200,000	$150,000	75	15	1,125
November	160,000	40,000	25	45	1,125
October	150,000	30,000	20	75	1,500
September	150,000	15,000	10	105	1,050
August	100,000	4,000	4	135	540
July	100,000	1,000	1	165	165
Prior	640,000	5,000	5*	195	975
Totals	$1,500,000	$245,000	140	...	6,480

6,480 (sum of products) divided by 140 (sum of ratios)
equals
46
(the Ratio-Age Index for 1938)

Despite the evidence of the comparative age analysis and of the ratio of receivables to sales, the Ratio-Age Index reveals an unfavorable upward movement from 46 at the close of 1938 to 52 at the following year-end, an advance of 6 points or an indicated weakening of over 13% in the structure of the receivables asset! The index has brought to light a deterioration in condition which was completely beyond the reach of the customary methods of receivables analysis.

Why the Index Moved

A COMPARISON of the monthly ratios developed in our "ratio-aging" process before reducing them to a single index figure would have shown, of course, the same unfavorable trend of affairs. Taking the relationships of year-end receivables to respective monthly charge sales as computed in the illustration and converting them to a basis of days for ease of conception, a comparison of the condition of receivables at the close of 1938 and 1939 would appear as follows:

	Ratio of Uncollected 1938	1939	In Terms of Days 1938	1939
Dec.	75%	82%	23	25
Nov.	25	30	7	9
Oct.	20	25	6	8
Sept.	10	15	3	5
Aug.	4	10	1	3
July	1	3	—	1

These figures disclose that in every single monthly classification there was a slowing in collection experience. While only 75% of December sales remained uncollected at the close of 1938, this proportion had advanced to 82% at the 1939 year-end, representing 25 days' sales against 23 days the year before. A similar heaviness of unpaid receivables was shown for each of the remaining monthly groups.

The use of the receivables to sales ratio for the year as a whole did not warn of this loss of liquidity because sales for the first six months of 1939 were abnormally high and served to influence unwarrantedly the total sales factor for the year. The receivables at the close of the period were created almost entirely from the reduced sales volume of the last six months and they have no direct comparability with (*Cont'd on P. 39*)

Credit Man's Timetable

Important Elements in a Day's Work

By FLOYD O. GOODWILL
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TIME is an important element in the transaction of present day business. All of man's plans are based upon the time element. Planning is but the allocation of time —the scheduling of events. Time cannot be retarded nor can it be accelerated. It can, however, be depended upon to occur ad infinitum and man must arrange his activities in proper relationship with it. By so doing, he takes advantage of a natural ally and places himself in a position to gain success from his efforts.

Certain details of procedure are more effective if carried out at the logical · time. Courses of action, which will produce good results under one set of conditions, may be much less effective under other conditions. There is a wrong and a right time to do things and the difference often spells success or failure.

The collection department of a business offers a wonderful opportunity to test the effectiveness of planning and timing of effort. The timing of statements, letters, wires, telephone calls, salesmen's visits, personal calls by collectors and other miscellaneous means of collection is important. If these collection mediums are to be used to full advantage, it will be necessary to give consideration to the question of when they will be used. The normal build up from statements of account and routine reminder letters, to the more impressive and expensive use of the telegraph, the telephone, and personal contacts, follows a course which is dictated by reason and expediency. When one method fails, it is natural to try another, somewhat more severe and in that way evolve a progressive method of attack which meets each situation as it arises.

Monday a Busy Day

STATEMENTS of account should, of course, be sent out as promptly as possible after the end of the month. Follow up statements and routine correspondence should follow at somewhat regular intervals, based upon the judgment of the individual collector. Collection letters of a special nature, which have been given considerable thought and which are counted upon to produce certain specific results, will fit into their logical place in the general program. However, they should ordinarily be mailed so as to reach the debtor on any day of the week except Monday. Unless the case is one of great urgency, where quick delivery is a determining factor, letters of this type should not be mailed on Saturday. If more than one day is required for delivery they should not be mailed on Friday.

Monday is a busy day. Mails are larger than on other days and a certain amount of organizing is necessary for the new week's activities. Such work as paying bills is not ordinarily on the schedule. Especially, will debtors be too busy to pay old bills on Monday. They may even muster a certain amount of righteous indignation because the subject has been mentioned. In any event, the time does not seem propitious for prompt action and that is what is desired. Also, a letter so received and laid aside loses its semblance of urgency and the chance of obtaining results falls in direct proportion.

The days of the week following Monday appear to be of equal promise to the suppliant creditor, with the exception of Saturday. Here there is a chance for discussion. Saturday is a half-day, everyone is looking forward to the week-end and is trying to put the finishing touches to his week's work. In fact some of the past-due creditors may already be in the mountains or at the seashore. At first glance the prospects here do not appear very promising. On the other hand, may not this particular situation be just the setting desired? Many of the debtors will be on the job Saturday morning. The day being a short one, is more or less set aside for odd jobs and clean-up tasks. The week is about over and no one plans on accomplishing much new or constructive work on Saturday. An urgent appeal for funds may, for that reason, receive more consideration then than on any other day in the week.

Circumstances Vary

THIS decision and others like it must be made by each individual credit man. It is not the purpose of this writer to be authoritative and attempt to settle definitely all of the questions which arise in connection with the timing and planning of collection appeals. There will be, no doubt, much legitimate difference or opinion and different circumstances may result in a variety of ideas.

If a credit man can satisfy himself that he obtains better results from letters delivered to a debtor on Monday, he is not necessarily wrong. The facts may justify his decision. The important point is that he has analyzed the situation and has made a decision. It will ordinarily be found, however, that some helpful general methods of procedure may be established even though they are subject to exceptions. The success attained will be measured by the ability of the credit man to visualize conditions as they actually exist and make capital of them.

In choosing the best day of the week on which to send a telegram or telephone message, the same considerations exist as in the case of the important credit letter. In addition the time of day is important. An effort should be made to have

such messages delivered early enough in the morning to allow them to be handled in the day's routine. By ten o'clock, in the ordinary office, the mail will have been distributed. Delivery of a message at that time would seem to be desirable. To accomplish this, sufficient study should be made to determine approximately how long it takes to make delivery of telegrams to various locations, and this factor should be taken into consideration.

Mid morning also appears to be a favorable time to make telephone calls on collection matters. The purpose of such calls is to impress upon the called party the urgency of the message and the necessity of prompt action. It is then only natural to make such a contact and present such a request at a time when there is the greatest chance of obtaining a favorable response.

As to Personal Calls

PERSONAL calls by salesmen and other company representatives follow after the other more common methods of collection procedure have failed. Likewise the use of legal talent, and various professional collection agencies, represent still more radical means, which are sometimes called into action. By the time this stage has been reached, however, it is generally too late to stand on ceremony. One day is almost as good as another, on which to serve a summons. Fortunately such extreme cases are exceptional and the large number of ordinary cases must be handled with forethought and diplomacy. Collection work is not a straight rule of thumb proposition. It offers a liberal opportunity for the display of initiative and personal talents.

In addition to the day of the week and the time of day, there must be considered the general scheduling of collection activities throughout the month. A review of some of these activities and a study of their relationship to each other will develop some additional phases of scheduled collection activity.

It is customary for many business houses to pay their bills on or about the 10th of the month. By the 10th, the invoicing for the previous month is complete. Customers' statements have been mailed and received and in the intricate interlacing of business, each sender is also a receiver. Figuratively speaking, everyone has been dunned by everyone else. The result is an almost unanimous urge to "pay some of those bills." As each debtor receives funds, it is natural for him to disburse some of those funds in payment of his own bills. The recipient repeats the process. The result is cumulative and a general surge of payments takes place which is very gratifying to the fortunate ones who receive them.

Peak Comes on the 13th

THERE is not, however, one big pay day on the 10th but rather a period commencing on the 10th and extending roughly to the 15th, during which time receipts rise to a peak about the 13th and return to normal by the 15th. The reasons for this are quite obvious. While many business concerns have the necessary reserve funds from which to make their monthly payments, others not so fortunate must receive first and pay later. Then there is the amount of time necessary to prepare and mail remittances; also the time consumed in their transmittal through the mails. Perhaps the 10th falls on Sunday or on a holiday. Also there are other miscellaneous causes for delay in particular cases all of which help to create this extended period of heavy payments.

This economic phenomenon should not be taken as a matter of course. It is the result of certain causes, which repeat themselves each month. For that very reason, the results can be foreseen and plans laid to exploit them. It is quite generally agreed that the average slow-pay customer is not so out of choice. He would like to pay everyone promptly if he could. When he has money he pays; when his money is gone he stops paying. It is that simple, and it is also elementary from a collection standpoint that the collector must be on hand when funds are available. Likewise, it is equally desirable to anticipate the situation and formulate plans which will insure full participation when the paying days arrive.

Another Cycle Starts

AFTER one of these rush periods have passed and the sixteenth of the month is at hand, an appraisal is in order. Another monthly collection cycle is beginning, and it is important to start at once on a plan of action. The period from the fifteenth to the twenty-fifth of the month provides the basis for the entire month's collection program. During those ten days, all past-due debtors should be contacted. Some immediate success will be achieved but that does not measure the entire resulting benefits. Every debtor has a yielding point and each collection effort, appropriately framed and wisely timed, will exert an additional cumulative pressure on the debtor thus pushing him slowly toward his limit of resistance.

This does not necessarily indicate a reluctance to pay on the part of the debtor. It merely signifies that, in accordance with his ability to pay and his mental reaction to collection pressure, each past-due customer eventually reaches a point where he will pay in order to obtain relief from the creditor's solicitations. By systematically subjecting all past-due debtors to a step-by-step collection procedure, each is progressively advanced until he reaches the point where he yields. If a collector cannot reach the yielding point of a debtor, he must then classify him as a bad account.

For a few days after the twenty-fifth of the month, the complexion of collection correspondence can be changed to advantage. The last day of the month becomes the immediate goal. It becomes a selling point and salesmanship plays a vital part in effective collecting. Persistence and timing are a great pair and when they are combined with a mite of salesmanship, the combination is well nigh irresistible.

Appeals to Pride

THE debtors should be reminded that the end of the month is approaching. Emphasis should be given to the desirability of payment being received before the books are closed for the month—before certain reports are made by the credit man to his superiors, etc. Various kinds of appeals can be made but they will be strengthened and will carry a tone of increased urgency if they are tied in with the last day of the month as a definite objective. It is sometimes effective to remind the debtor of the very day on which a check must be mailed in order to arrive in time. This sort of appeal can be used right up to the end of the month in some cases. The time required to transmit the communication to the debtor must, of course, be taken into consideration. *(Cont'd on P. 42)*

Reasons for Failures

Observations on Bankruptcy Records

It is the honest man who fails! Novelists and popular opinion very much to the contrary, a careful analysis of failure records for more than a half century indicates that considerably less than ten percent of all business failures are fraudulent; the ninety-plus percent are failures of honest men. Modern credit-rating facilities are available to all and have been developed to a high state of efficiency. The credit man has advanced to professional status during the past generation. All of this makes it easy to spot the professional crook, or one whose record is such as to indicate that he might be seeking an opportunity to repeat the fraud he has practiced in the past.

The real problem is to guard against the honest man. In spite of Horatio Alger, honesty and hard work are not sufficient. Modern business is too complex and the pitfalls are too numerous. Three principal causes of failure annually account for approximately three-fourths of all crack-ups. They are, "Lack of Capital," "Incompetence" and "Inexperience." Each causes about one-fourth of the year's failures. Some are inclined to bracket the "Lack of Capital" group with the "Incompetents," on the theory that an entirely competent man would know better than to attempt a venture on limited capital.

By **EMMETT E. BARBEE**

Just Appointed Secretary-Manager Oklahoma City Retailers Assn.

However, year in and year out more than four-fifths of all failures are those of merchants with a capital of less than five thousand dollars, so this group probably is entitled to a classification to itself. The large percentage of merchants with limited capital also accounts for the paradoxical situation of an increase in failures during the peak of a period of national prosperity. A "boom" causes inflation, or vice-versa, we won't argue that here, and the grocer with a limited capital finds that advancing prices make it necessary for him to have a stock of two thousand dollars instead of one thousand dollars, in order to carry the same number of items on his shelves. Also, if he does a credit business the same number of cans of corn delivered to his customers means that twice as much of his capital as formerly is tied up in customers' accounts receivable and the small merchant does not have reserves to carry him through such an emergency. Higher priced merchandise automatically reduces his capital and weakens his position. Also, when the demand for merchandise is strong and the supply is weak, wholesalers are inclined to take care of their good customers first and to let the weaklings be weeded out. Today's advancing commodity index is causing professional receivers to prepare for a large increase in the number of failures—they are inevitable.

"Inexperience" Leads

"INEXPERIENCE" is the cruelest of the three principal failure factors, and causes more broken hearts. The farmer comes to town and sees the groceryman wearing better clothes and with hours and work that seem easy compared with plowing and early and late chores. So, he sells or mortgages the farm, buys a grocery store and all too late discovers that he is engaged in a most highly competitive business, in which only men with long experience and business acumen can hope to survive. He didn't know it, but he had two strikes already on him when he came

up to bat in the business league; usually the third one is called in short order and the hard-wrung savings of a life-time are gone. Another failure, another broken heart.

Gambling, intemperance and other faults of a personal nature are responsible for a surprisingly small number of failures. Such faults as these are rather obvious and come quickly to the attention of the credit man, who very promptly shuts off the credit of the offender and does not let him get in deep enough to cause a failure.

Sad, but true, is the fact that eighty to ninety percent of all failures can be traced directly to the fault of the man who fails. Only ten to twenty percent are caused by floods, depressions, conflagrations, earthquakes, depressions and other things beyond control of man; even many of these could be guarded against through the various kinds of insurance now available.

Merchants Best Friends

CREDIT men are generally thought of as a peculiar race of men with something like ice water in their veins. In truth, they are the merchant's best friends when he permits them to be. Credit men lose money on failures but make money on prosperous customers. Their counsel is available to their customers at all times. If heeded, probably half of the failures could be avoided. BUT, the average American business man refuses to let ANY man dictate to HIM how he shall run HIS business, so the bankruptcy courts are kept busy, in good times and in bad.

In the past, the word "bankrupt" carried with it a stigma that could not easily be erased. Not so today. Only one question is asked by the business world—"was it honest?" If the answer is affirmative the failed merchant will be given full consideration when once again he essays a start. If he has adequate funds for a start, if he is engaging in a business of which he has knowledge and in which he has had sufficient experience, he will be given the assistance any other man would receive in similar circumstances and his "bankruptcy" will not be held against him. Frequently he does better than a beginner, for he has learned certain lessons the hard way and knows how to avoid the pitfalls that tripped him before. Not often, but often enough

EMMETT BARBEE will be remembered as the former Executive Manager of the Oklahoma Wholesale Credit Men's Association, who retired a few months back and who planned to spend the rest of his life in travel. We are glad to see Emmett back in the harness again —we were just that jealous.

to strengthen the faith we have in our fellow-men, a bankrupt will later repay in full the old debts which have been erased completely by the action of the bankruptcy court.

All failures could be avoided! If all business transactions were for cash there would be no debts and hence no bankruptcies. Neither would there be much business, for the tremendous expansion in world trade started only when credit granting became general and when the dollar of capital plus the two dollars of borrowed money or borrowed merchandise permitted the merchant to transact three times his former cash business. It is up to the credit man to see that the merchandise that his firm lends, to strong customers and to weak customers, is repaid in dollars. If only safe credit risks were sold no money would be lost but the business volume of the country would be cut in half.

What of Credit Losses

IF only safe credit risks were sold! Failure records show that well under five percent of our merchants fail each year, so the natural assumption would be that most credit is safe if only "good" ratings are sold, so where is the need of the credit man? Very few of the merchants fail, so aren't most of them safe? Yes, just about as safe as an automobile in heavy traffic without a skilled driver! Dun and Bradstreet, the international rating agency, has just completed a survey of the credit of 2387 grocers in one state. Of this total, 945 or 40% were classed as sound credit risks, 458 or 15% were classed as "fair" and 986 or 41% were classed as "uninsurable." (Most laymen do not know that there are risk companies that will insure against credit loss if only merchants with approved ratings are sold.) The merchants in the first group need practically no watching and almost always pay bills when they come due. The second group requires a little more care but is generally safe. The credit man wastes but little of his time on these groups; in fact, if only these groups were sold there would be small need of credit men. That brings us to the third group, the "uninsurables," and that is where the credit man enters the picture as an important factor in the world of business. This group comprises 41% of the merchants surveyed and bought 40% of the total merchandise sold to the group. Since the entire group bought nearly $3,000,000 worth of groceries last year it may be seen that about $1,200,000 of this total was sold to the "uninsurables"—tiny restaurants, corner grocers, hole-in-the-wall places or larger stores operating on a thin margin of capital. These accounts were watched constantly by the credit man and his well trained crew of assistants and salesmen. Some merchants were encouraged to get more business and some were restrained from attempting more volume than their capital would justify. To the merchant who would accept counsel, it was given freely; in cases where advice was not accepted, sterner methods were used, the credit man simply decreeing that certain methods must be adopted by the merchant or further credit would be stopped. This group of doubtful risks, by the way, is the most profitable group to sell—if you can collect from them. They do not expect extra discounts, shaded prices for quantity buying or other favors demanded by the buyers who pay cash or discount their bills. They pay full price for all merchandise.

Results count. This group of 2387 grocers, nearly half of whom were so unsafe as to be classed as "uninsurable," last year bought $2,800,000 worth of groceries on credit. The credit man COLLECTED $2,786,600 in cash! The dollar loss on the group was a shade less than one half of one percent of the total business and that is considered excellent in the wholesale grocery trade. One credit man once turned in an annual report to his Board of Directors, showing a loss of only one tenth of one percent, expecting a pat on the back and a raise in salary. They fired him! It was obvious that he was turning down too many of the uninsurable group, from whom a live credit man could collect and for which business one half of one percent is a low price to pay.

Creditors Influence the Future

By J. E. BULLARD
Special Writer

During the month of September, 1929, a man, who was carrying a heavy load of stock on margin, decided that actual earnings on those stocks at the current market prices had dropped to a point where it was wise to sell at once and take any profits. Accordingly, he sold all the stock he held, paid off his loans and used the balance to buy bonds for cash. A few months later, those who knew him wished the banks had called their loans in September and they had been forced to sell their stocks. They charged that because the banks had been so liberal in extending credit, they had been wiped out.

Creditors always influence the future. If that future proves unfortunate to the borrowers because creditors have been liberal with credit, it is the creditors who are likely to be blamed. At least, there is a school of thought which blames credit granting for the depression which began at the end of 1929.

Cause of Booms

THERE are numerous theories in regard to the causes of booms and depressions, of the trade cycles which always have been experienced periodically since the beginning. In support of each theory there can be mustered a vast amount of evidence. Since no way has been discovered to controlling fluctuations in practice, however, it would appear there are more factors and more variables which play a part in bringing on booms and starting depressions than are included in any one theory or perhaps all the theories together. Of one thing, nevertheless, we may be certain. The creditors, always, come in for at least their full share of the blame.

It is obvious that extending credit during a period of rising prices results in a certain loss to the creditor. The money he collects for goods sold will not replace those goods because prices have risen. He will have to add something to what is collected if he is to buy the same quantity of the same goods he sold and for which he has been paid. The longer the time between the selling of the goods and the collecting of the money for them, the greater this loss. If goods are sold on a falling market, on the other hand, the money collected thirty, sixty or ninety days later will buy more goods than that money pays for. The longer the credit period, the greater this kind of profit.

Credit, of course, is not extended on this basis for the reason that collections are more certain to be better when prices are rising than when they are falling. When prices are rising, the buyer makes additional profit on those rises and the more liberally he is granted credit, the more profit he makes on the actual capital he has invested. When prices are falling, he loses money on all goods he carries in stock for any extended period. This loss may be enough to put him out of business.

In 1920 a wholesale grocer was overstocked, especially with sugar. When prices began to fall, this concern went so deeply into the red, it became necessary to put new capital into the business to maintain a solvent condition. During this period a large department store found itself in serious financial difficulties. The reason was twofold. It had extended credit more liberally than was safe and it had used its credits with its sources of goods to such a degree it was overstocked in virtually every department.

New Dangers

CONDITIONS at the present time are akin to those of 1918 and 1919 in some respects but there are new factors which may prove serious when the present emergency ends and there is readjusting to peace time conditions. One of these factors is that, whereas, the last war started well after this country had recovered from the depression of 1907, we have not yet recovered from the depression of 1930, if recovery means balancing the government budgets, increasing the national income and lowering taxes. The national budget has not been balanced since 1930. Instead, the annual deficits have had a way of increasing from year to year. The national income, measured in dollars of the 1929 gold content, has not reached the total of that year. The tax burden has steadily increased. Each time Congress has met, it has passed new tax bills. The defense program is proving to be a millstone, taking more and more of the national income and depressing normal peace time business. The government has assumed more and more control over business and is operating more enterprises than ever before. All this means new factors, new variables which have a direct relation to wise granting of credit. As a matter of fact, there can be expected to be more and more government control over credit granting.

Poorer Credit Risks?

SUCH control, however, can deal with general policy only. Wise credit granting calls for decisions in each individual case. The fact that the government, itself, is extending credit to business concerns may prove worthy of serious consideration in individual cases. A feed dealer expressed the opinion that government loans to farmers were making those farmers poorer and poorer credit risks. He pointed out that some farmers were being subsidized but that such subsidies could not be continued indefinitely. Just so soon as the subsidies end, he insisted, a good many farmers would not be able to balance their budgets. They could not continue to pay their bills. Other farmers had borrowed from the gov-

ernment and owed so much that when the time came to pay up, the government might have to take over the farms. In his opinion, government subsidies and government loans to farmers have ruined the credit of the average farmer in his territory. Accordingly, he has adopted the policy of limiting all credit extended. He has shortened the credit period and he has followed up collections with greater energy than ever before. Total volume of business has fallen off to some degree as a result of this policy but net profits are much more satisfactory. He believes that unless credit is tightened all the way along the line from the manufacturer to the farmer, agriculture is going to be in a worse condition after this war than it ever has been in before. Yet, to a man with little capital but with a demonstrated ability to make a farm really pay, this dealer will extend credit just so long as that man's balance sheet shows he is making a profit.

Capacity in Credit

IT still holds true that the man with limited capital but with ability and a high capacity for hard work is a better credit risk than is the man with ample capital, less ability and lower capacity for work. At times there are cases where the individual demonstrates this rule. For example, a man started in business with only enough money to pay the store rent for the first month and buy the stock absolutely necessary to open the store to the public. His credit was so poor he had to pay cash for all he bought. Under such conditions he had to work hard, he had to sell for cash, he had to buy with the greatest care. To remain in business at all, he had to make profits. In a few years he was doing a volume of business and making large enough profits to warrant a good credit rating. Just as soon as it was no longer necessary to devote so much of his time to his business as was essential at the start, he began neglecting it. In another few years he was out of business entirely. That man could look back and say that his creditors ruined him because they gave him too much credit. His was a case, in fact, where it never was safe to grant much credit. To continue in business he would have had to have the credit granted him curtailed to such a point that he would have to work hard and give his undivided attention to his business.

In spite of all the government may do to prevent it, some business concerns are likely to make tidy profits out of the present defense program. The state of these concerns may appear to warrant liberal credit granting, yet they may not be any better credit risks than the man already mentioned proved to be. They may be poor risks because of lack of detailed planning for peace time business. After the last war, a man who had made considerable money in war production looked around for something to keep his manufacturing plant busy. A good farm tractor showed the best promise and he set engineers at work designing one. The experimental tractors built, when tested out in tractor work, demonstrated their superiority in certain respects over any other tractors on the market. However, before solving the production problem, an advertising campaign was started. Sales were booked but prompt deliveries could not be made. In the end, this man lost all the money he had made and lost it largely because he had not planned intelligently. Had he solved the production problem before he started his sales campaign and had the production tractors proved as good as the experimental ones which had been built, there is good reason to believe that man still would be making and selling farm tractors.

Faulty Planning

AFTER the war all sorts of schemes for utilizing capital and producing capacity may be expected but it is not safe to base credit upon resources without giving sufficient attention to the general plan. When three men developed a carburetor of extremely high efficiency shortly after the last war, the prospects looked good for a large volume of business and satisfactory profits. On the strength of demonstrations made, they were able to borrow a considerable sum of money. However, the first carburetors made were all bench made. Advertising was done and orders taken only to discover that when made in quantities these carburetors fell far short of expectations. Again, there was faulty planning.

The present war may go on for years or it may end most any day. Nobody can predict with any degree of accuracy when a conflict will be over for the simple reason there are so many things which could prolong it and just as many which could bring it to a sudden end. The present defense program is throwing peace time business out of adjustment. It is increasing producing capacity and creating new problems. Those problems have to be solved before there can be prosperous peace time business. Plans have to be made which will be carried out when peace returns.

For example, take two firms in the plumbing and heating business. Each has more business than it can handle. The present problem is one of finding enough of the right kind of labor. One firm is devoting its entire attention to getting jobs done as quickly as possible and going on to new jobs. The other is selecting from its employes men who appear to possess the ability to make good salesmen. These are already being given sales training. Surveys are being made to determine what new appliances can be sold to take up the slack after the present volume of business falls off. Investigations are being made in regard to the most satisfactory makes to handle and perhaps contracts with manufacturers are being considered. At any rate, everything that can be done is being done to be prepared for the conditions which will exist as soon as the defense program ends.

It is obvious which of these firms is the best credit risk. With the end of the present defense demand one of these firms will lay off its employes, will do only a fraction of its present volume of business, may not continue as a going concern. The other will start a sales campaign, will already have a well organized sales department, will have a well thought out plan for meeting the situation which exists and may do a larger and a more profitable business than ever before. Much will depend upon how good the plan is and how effectively it is carried out. In any case, the chances of this firm making profits are much better than they are in the case of the one which has done no planning, has made no preparations for meeting changed conditions.

What of Price Fixing?

THE government can be expected to do a good deal of experimenting with price fixing. Although attempts have been made in this direction ever since there were prices to fix and governments to try to fix

them, there is no record of any results which could be classed as completely successful in the case of any of these attempts. Price fixing efforts, however, can dislocate business. Some firms will be able to adjust themselves to the new conditions and at least succeed in continuing in business. Others may be forced out of business entirely. A lot depends upon the possibilities of readjusting the business to meet the new conditions and upon the success attained in meeting these adjustments.

In 1933 there was an independent wholesale meat dealer who had been in business for fifty years or so. This man had started the business when he was young. He had built it up into a profitable enterprise. As conditions changed, he was able to adjust his business to meet them. By 1933, however, instead of the business being divided among all kinds of meat, it was confined largely to pork. The attempt on the part of the government to raise pork prices by killing the little pigs succeeded so well, that pork sales fell off. It became increasingly difficult to make ends meet. More and money had to be put into the business. In the end this man found himself broke and the business gone. Had he been a younger man he might have discovered some way of meeting the new situation as he had met changing conditions in the past. The facts, however, are that the government price control policy did play a decisive part in ruining this business. Price control policies of the future are likely to have the same effect upon other business concerns.

Future Is Important

IT is not the past history or the present prosperity of these firms which indicates their safety as credit risks but rather their success in meeting conditions arising from government price fixing. If the retail prices on automobiles are fixed by the government, new car production reduced to a marked degree and easy payment plans eliminated, a good many automobile dealers are likely to become poor credit risks unless they can find some means of maintaining a profitable volume of business. Some dealers will be able to meet such a situation. It might be done through increasing the volume of business in the service department, in boosting used car sales or in some other manner. (*Cont'd on P. 30*)

Setting Credit Limits

Another Executive Presents His Views

By **H. W. SWENSON**
Reinhard Brothers, Minneapolis, Minn.

CFM Credit limits are placed on accounts for a number of reasons; mainly, the credit manager's line of reasoning, to insure protection for open receivables, where credit investigation shows a light weight financial condition. Benjamin Franklin as "Poor Richard" said: "Creditors are a superstitious set—great observers of set days and times."

Note these points in favor of credit limits:

1. To insure protection in handling light weight accounts.
2. For the guidance of salesmen who solicit business from buyers, who are inclined to purchase more than necessary with as little money as possible, stopping points must be set.
3. Credit limits an advantage in credit control in branch offices.
4. When an account begins to slow up with you and in the trade as evidenced in interchange reports.
5. A limit with a new customer and a new account will allow the benefit of your experience in building for future business.
6. A limit on an active account where payments are applied "on account" will give the credit department a stronger collection pull and hold total balances within the range of terms of sale.
7. Credit Manager's "hunch".
8. Credit limits are important among finance companies to arrange floor plans and outlets for retail paper.
9. With banks a definite line is usually set and they are recognized as being able to discuss and secure suitable collateral whenever needed.
10. Credit limits in certain lines of merchandise to insure turn over and average profit return to dealer.

Arrange to properly analyze your prospective dealer's business as to present yearly volume and to what portion of total business would be merchandise sales in your line. As an illustration, yearly sales volume of $60,000 and of this, 10% or $6,000, the amount of business you would like to receive. The goods may be seasonal whereby a peak load would be carried on the books at one time; therefore, your credit machinery should be geared to work up through the heavy buying season or to make your decision that the top credit line set is all you can handle.

Based on Careful Study

THE credit limit placed would be based from results of careful investigation with Dun and Bradstreet —Interchange—direct financial statement—bank reports and direct inquiry.

Sales department cooperation will make a credit limit plan work with equal satisfaction to your dealer and with safety to your firm in credit regulation. The order limit plan can be used in conjunction with maximum credit limits and in this way, purchase avenues are always open; as an illustration, a credit line of $1,500.00 would entitle a salesman to write orders not to exceed $300.00 and if five such orders were taken within the range of terms, no credit supervision would be necessary, as the sales end of the business can control the buying power through constructive efforts rather than try to load the dealer and place the burden on the credit department where it would not belong. The approximate cost of each order taken can be listed by the salesman and this will eliminate any delay in pricing the order upon arrival. It would only be natural for a salesman to know how much of an order he has taken and have him mark it. The order plan will enable the sales department to work through orders building up to the total limit before it is necessary for the accounting department to list the total balance carried for credit supervision.

Order limit sales control with each firm's credit limit known in advance and current ledger balances listed in accordance with each salesman's route list will give him the exact standing prior to making his call. A current balance carried of $750.00 with a $900.00 limit will tell the traveler exactly what he can do on new business. If new business is written the disposition will have to be made as to future delivery or partial reduction of account to conform with limits. The task of asking for money can be completed all in one call, rather than have the dealer receive a letter a few days later from the credit manager.

With so many advance datings being called for now, accounted for largely in heavy inventory buying and through defense program needs, the safety valve of a credit limit may be a prime factor now more than ever before, as continued heavy purchases on extended terms can create advance "headaches" without having anything to lean on until date of maturity, unless a reasonable limit is placed and made known to your dealer and to your own sales organization. You may require this protection to keep pace with the urge to sell and the customer's willingness to buy with a perspiring credit manager right in the middle.

Difficulties With Limits

CREDIT limits, in a broad sense, are difficult to establish and determine in dealing with a new customer and the same thing often holds true with active accounts sold regularly each month. A new account is placed on a given limit and then, after all is said and done, try to hold it there, for invariably the starting limit is exceeded by a wide margin.

The results obtained after making several inquiries among credit groups, brought out, for the most part, that set credit limits have caused more trouble in dealer relations than actual return benefits. To quote one credit manager, "I don't like credit limits on our accounts; it creates too much friction and has a tendency to resist sales promotion, with our good deal-

ers, we play ball with them."

There is the arbitrary stand to consider when a customer is told what his limit is set at. A whip hand over a good customer will not help in building up good will which is important in dealing with strong competition.

1. Nothing was said about any limits.
2. How do you arrive at what I should have?
3. If I am limited, send me my bill and I will close the account.
4. I am limited to what, and who says so, I pay my bills.
5. I never beat anyone out of a cent—did you ever lose any money on me?

Customer Makes Own Standing

YOUR customer may not recognize the fact that he makes his credit standing through prompt payment and evidence of being able to make progress in adding to his net worth. The maximum credit limit he can enjoy is related closely to his ability to pay within terms of sale. Payments made on account each month, holding to about the same total cash reduction, indicates that the available working capital will not produce any more than an average payment range, and each supplier who sells more than collected is helping out in a financial capacity. Mr. Dealer has shown very clearly what his limit actually is and what it should be.

Special purchases are often made with an understanding for full payment upon completion of certain installations or repair work. The best procedure in handling a volume of business is to have close cooperation with your sales organization and arrange to invite business which can be paid for within your terms.

"A sure fire method to eliminate some of your collection difficulties and arbitrary credit limits is to *stand on your terms* and insist that they are respected and lived up to at all times.

"Weekly or ten day terms should mean exactly as read. Thirty day terms are fully explanatory, privilege of 2%—10th of the month prox, does not automatically call for a revision to suit your customer.

"Keep your dealer paid up and he can always be sold, and if a credit limit is marked on your ledger card, this would be information for your sales department and credit department mechanism."

Living For Freedom

By LUPTON PATTEN
President, Chattanooga Medicine Co.

The last paragraph in one of the recent war memoirs, "Looking for Trouble," by Virginia Cowles, contains the following sentences:

"Our forbears gave us our heritage through the sweat of their achievements; they chained the mighty rivers and forests, blazed the trails west, and put down lawlessness in the deserted reaches of the continent. They shed their blood to establish the principle of justice and equality we take for granted. They fought their most savage war for the conception that has built us into the most powerful democracy the world has known . . . Let us rise up now in all our splendor and fight side by side with Great Britain until we reach a victory so complete that freedom will ring through the ages to come with a strength no man dare challenge."

This is not a new thought. Increasingly in the past year many of our leaders have been telling us that it might be necessary for us to give up our lives in order that we may continue to exist as a free people. In fact, this conception is rooted deep in the American tradition. Time after time throughout our history, our forefathers have willingly shed their blood and given their lives for the preservation of our democratic form of government, and I believe that the overwhelming majority of the American people are willing to follow the path which our forefathers have trod.

How Lincoln Viewed the Case

HOWEVER, there is an implication in the statement about dying for freedom that, so often, we overlook, an implication which, if brought consistently to the forefront, might make some of the dying unnecessary. Abraham Lincoln realized the implication completely, in my opinion, when he said in his immortal Gettysburg address:

"The world will little note nor long remember what we say here; but it can never forget what they did here. It is for us the living, rather, to be dedicated here to the unfinished work which they who fought here have thus far so nobly advanced. It is rather for us to be here dedicated to the great task remaining before us; that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion; that we here highly resolve that these dead shall not have died in vain; that this nation under God shall have a new birth of freedom and that government of the people, by the people and for the people shall not perish from the earth."

Here in its purest form is the stark reality that we so often forget—namely, that it is not enough to die for freedom, that in fact dying for freedom may be completely in vain unless we dedicate ourselves as well to live for freedom. That is the purpose of this paper, to inquire briefly, while men all over the world are willingly giving their lives for the preservation of an ideal, how we in this country can *so live* that the ideal may be preserved for generations to come.

We hear much about our American liberties, and I think it would be well here to pause and try to determine, if possible, just what these liberties which we prize so highly are. For too often our liberties seem to mean to us the right to do what *WE want* without interference, and at the same time the right to tell others how they should conduct their affairs. When I have to run into a store down town and cannot find a parking space, I find myself becoming convinced that I should be permitted to double-park, and if I do so and am called down by a policeman, it seems an injustice. But at rush hours when I try to get through a crowded street, I feel that the driver of every car double-parking should certainly be arrested. If you are a reader of the open forums of our various newspapers, you know that many people are insisting right now that certain individuals holding diverse opinions should be muzzled or placed in concentration camps, while they, of course, should be allowed to the fullest our traditional freedom of speech.

Our Liberty Saga

RECENTLY I read an address by Dr. Daniel L. Marsh, President of Boston University, Boston, Massachusetts, under the title, "The American Canon." In it, he attempts to arrive at a basic group of ideals to which all Americans of whatever creed, birth or outlook, can subscribe. He calls the Mayflower Compact "the Genesis of our American democracy", stating that this is the first written compact by which any group of people on earth ever agreed to govern themselves. The "Exodus of American democracy" is the Declaration of Independence; the "Book of Law" is the Constitution of the United States; the "Ten Commandments" are the first ten amendments to the Constitution, which list such basic freedoms as religion, speech, press, right of assembly, right to keep and bear arms, freedom from quartering soldiers except with the consent of the owner, regulations of the right of search and seizure, protection for persons and their property without due process of law, right of persons accused of crimes, right of trial by jury, protection against excessive bail and punishments. Our "Major Prophecy" is the Farewell Address by George Washington; the "Psalm of Americanism," the Star Spangled Banner; the "Gospel of Americanism," the Second Inaugural Address of Abraham Lincoln; and "The Epistle," the last article that Woodrow Wilson ever wrote, entitled "The Road Away from Revolution." Certainly, in these immortal writings we can find the fundamental freedoms which we as American citizens possess, which we are willing, if need be, to die for. And yet there are nations which have had many of these freedoms where the people, or a great majority of

them, have willingly given them up, and, to my mind, they have given them up for one reason alone, and that is the reason of *security.* For what good does it do a man to have the right to choose his profession or work if he cannot find a job, and the freedom to worship or not worship God is not so thrilling on an empty stomach, and the custom by which a man can choose his own bride without having his marriage arranged for him is worthless if he cannot support her.

So here, it seems to me, we come up against a very hard reality, that the same people who will willingly give their lives to protect their rights from oppression will also willingly give up these same cherished and hard-won rights in return for a promised security. I need not go into detail in tracing the process by which the lure of jobs, relief of abuses and promised security submerged a free society into dictatorship in various countries in the world.

Regulation of Business

WHAT has happened is too fresh in your memory. In this country in 1931, '32 and '33 we heard the cry of security ourselves, we saw the so-called pioneer spirit of an opportunity for each man to develop to the greatest possible extent of his abilities give way to a feeling that it was better to have half a loaf, provided he was certain to have that half a loaf, than to take the chance of a full loaf and possibly end up with none. Many things have been written and spoken in the last ten years pro and con about American business. I have no desire to enter into this controversy except to say from my own experience that I am confident if business men of twenty-five and thirty years ago had been subjected to regulations in effect now, those men would have felt that their basic Constitutional rights had been taken away. At the present time the business in which I am employed is regulated by the following Federal Agencies: Federal Trade Commission, Food and Drug Administration, the Wage and Hour Division of the Department of Labor, the National Labor Relations Board, Treasury Department, Interstate Commerce Commission, Social Security Board, Department of Justice, Office of Production Management, Office of Price Administration and

Civilian Supply, Supply Priorities and Allocation Board, Department of Commerce—and, of course, this particular business happened to miss a few like the Securities Exchange Commission, National Defense Mediation Board and Mr. Ickes' Department of Interior.

The reason given for these regulations is that changing conditions have made them necessary for protection of workers, consumers, stockholders, farmers, et cetera—in other words, for the security of large numbers of people. I will not argue for a moment that these various groups did not need security. The fact remains, however, that in attaining security for them, so-called basic liberties of a minority group have been restricted. We have read much in the last few weeks about the Kearney shipbuilding case. The basic point of issue between the union and management was, as I have read the facts, a demand on the part of the union that the company agree to discharge every employee who was, or might later become, a union member but who failed to pay his union dues or otherwise remain in good standing with the union. I have heard many people contend such a demand as this was an infringement on the fundamental right of a person to work where he would or belong to what organization he desired, but I can't help remembering when the shoe was on the other foot—in the case of the so-called "Yellow Dog" contracts of 1890 and thereabouts whereby employers forced their employees to sign a statement that they would not join a union, the implication being that if they did they would be fired, as doubtless many were. The Supreme Court of that day upheld such contracts as Constitutional, just as the Supreme Court of this day upheld such devices as "Maintenance of Membership Agreements." It is interesting to read some of the briefs filed before the Supreme Court by labor unions against the "Yellow Dog" contract. Doubtless these people would not want the same reasoning applied today, just as the employers using the "Yellow Dog" contract would not be too anxious for their arguments to be used now. Personally, I think both of the devices are definitely opposed to our democratic tradition, but as means to attain security for the respective groups employing them, they apparently are very fine.

What Is Ahead

AND so, to my mind, we come to the fundamental problem of self-government—the maintaining of our basic rights with a sufficient security to make life livable. For I have a very deep conviction that if various pressure groups, be they management, labor, farmers or college professors, continue to press for security of their groups at the expense of liberties of others, we will undoubtedly end in a tightly controlled economy. The same majority laws which oppressed a Jewish minority in Germany can oppress any other minority in Germany as there is some evidence of now. The power to set minimum wages is also the power to set maximum wages, and the socialization or nationalization of industry, whichever you wish to call it, will inevitably nationalize all other forms of our activity, just as changing one gland of the body will inevitably affect other parts.

The American system of government was built on the concept of government by the majority of representatives but with fundamental, guaranteed rights for the minority.

Now I have said that dying for freedom implies living for freedom, and I have tried to bring out the fact that freedom without security will inevitably result in a loss of freedom, just as turning our security over to someone else may give security but lose freedom. How then can we achieve some sort of a balance between freedom and security? To my way of thinking, the answer is simplicity itself, in fact, so easy to state that it seems almost impossible of attainment.

What Our Forefathers Knew

OUR forefathers knew the answer when they specifically limited the functions of the Federal government in the ninth and tenth amendments to the Constitution because they expected each citizen to have the other rights, and with those rights to assume the corresponding responsibility.

Benjamin Franklin knew the answer. "Would you live at ease? Do what you ought, not what you please!"

The Little Red Hen knew the answer. Remember when she asked the pig, the cat and the dog, each in turn, to help plant the grain of wheat? "Not I," they all said. But when it came time to eat the cake and she asked who would help, they cried, "*We* will!"

Every executive knows the answer when he gives authority to a subordinate and at the same time charges him with the responsibility to see the job is done.

Woodrow Wilson knew the answer when he said, "The truth of the matter is that our civilization cannot endure materially unless it is redeemed spiritually." You can search history as much as you want and you will find that whenever people want only their rights and privileges without the duties that always go with them, then someone else assumes those duties, and the rights, too, pretty soon. When we shift our responsibilities to someone else, whether it be an individual, a society, or a government, we lose inevitably the right which we had. You gentlemen know that the debtor does the piping while the creditor calls the tune.

What Are Our Rights?

AND what are these responsibilities? First, what are the rights?

The right to marry whom we choose—the responsibility to pick carefully and then do our best to make it go.

The right to have or not have children—the responsibility to consider our nation's welfare and train our children to the best of our ability, not leave it to someone else.

The right to operate a business and employ people—the responsibility to consider our employees an integral part of our business just as our stockholders.

The right to make profit and keep property—the responsibility to help others less fortunate than ourselves.

I could go on, but the point is our freedoms without the corresponding responsibilities will result in chaos. Freedom of speech is one of our most cherished possessions, but that does not give a person a license, as Justice Oliver Wendell Holmes pointed out, to stand up and make a loud oration in the midst of a picture show, nor does it give the right for an individual to make false statements about another person.

There are many who say that it is impossible to accomplish social ends by voluntary responsibility, that only by a paternalistic government can social justice be accomplished. That may be true, but if it is true, then

let us realize equally that in the process of achieving these ends we are losing much of what we have held most precious. Let us realize that we are following the European method of collective direction from the top instead of the American innovation of rights and responsibilities. Let us understand that we are entrenching established businesses as surely as the doctrine of primogeniture entrenched the landed estates of England.

Rebuild American Tradition

PERSONALLY, I do not believe it is impossible for at least the leaders of our country to develop in themselves a discipline necessary to make our freedoms compatible with security, and if the leaders are able to do this, they will rebuild the old American tradition and a re-awakened public opinion that will automatically place restrictions on the unbridled freedoms of everyone, not in a Utopian sense, for when you come down to it, I doubt if many of us want a Utopia, but certainly to an extent that for practical purposes will meet the problem. I suggest that you read a new book by Christy Borth entitled "True Steel" for the account of how one American industrialist accepted his responsibilities to his associates. That man, Mr. George M. Verity, founder of The American Rolling Mill Company, recently made this statement:

"There has always been a general recognition of the value of cooperation in America. We all realize that our nation could not have been built without it. All business men have talked about it for years. But it seems hard for even the people who talk about it to see that it isn't worth-while unless it comes through good will and mutual understanding.

"The dictators in the totalitarian nations have a short-cut to cooperation. It is very effective—frightfully effective! Its effectiveness presents free men with a dreadful challenge.

"Now we *must* attain co-operation. Unless we do so much better than we have done in the past, our freedom will be seriously endangered; for the benefits of cooperation are now being demonstrated with such frightful force in Europe that none of us can afford to miss the meaning. I fear that

unless we Americans learn to co-operate through the good will that comes from understanding, we shall have it forced upon us, paying for it with our freedom.

"That would be a high price to pay for it—too high a price, I believe. For the worth of anything can be measured by what it brings. If co-operation must be bought with freedom, it isn't worth the cost. On the other hand, if understanding can bring it without endangering freedom, then it should be plain that persistent effort to understand our fellow men has a definite and known value to all of us."

Rights Bring Duties

FURTHERMORE, I don't believe it would be incompatible with or would infringe upon Academic Freedom for professors to let their students know that in return for the rights which they enjoy, there are duties which must be met. Certainly we will accept these responsibilities in different ways—therein lies our strength of variety and flexibility—but at least we can accept them instead of turning them over to someone else. You and I hold places of leadership, whether we like it or not, and it seems to me that only by the full acceptance of responsibilities of American citizenship on the part of people like yourselves can we hope to maintain the basic liberties and freedoms which "our forbears gave us as our heritage through the sweat of their achievements."

Living for democracy may not be as romantic as dying for democracy, but, in my opinion, it is equally as important.

Foreign Traders Make Close Study of Credits Collections

One of the outstanding sessions of the 28th National Foreign Trade Convention was that on foreign credit, collections and exchange problems held on Tuesday morning, October 7, under the auspices of the Foreign Credit Interchange Bureau of the National Association of Credit Men, with P. M. Haight, past NACM President and Treasurer of the International General Electric Co., as Chairman.

This was attended by over 600 foreign traders from all sections of the United States and a number of foreign countries; representatives of all the major American banks; and high officials from the Departments of State, Commerce, The Treasury, Export-Import Bank, OPM, Economic Defense Board, the Federal Reserve Bank, and a number of other agencies of the Federal Government.

The Committee in charge of this session had prepared a series of practical questions, arising out of current, actual experiences, which were submitted to those in attendance for general discussion and answer. Many important questions were also submitted to the assembly direct from the floor.

These included questions on the effects of the Lend-Lease Aid program on foreign trade; the observance of the British "blacklist," and the American Proclaimed List; Form TFR-300; Treasury Department, and export licenses; and credit, collection, and exchange conditions prevailing in particular countries.

It seemed to be the consensus of opinion of the session that the exchange situation in Latin America has improved greatly in recent months, although the credit position of individual customers in those countries should be as carefully scrutinized as formerly.

Many NACM members who have interests in the export and import field were in attendance as well at the regular sessions of the Convention, which is conducted annually by the National Foreign Trade Council of which William S. Swingle, formerly with the NACM as Comptroller and Foreign Dept. Director, is Vice-President.

Among the headline speakers on the Convention program were The Rt. Hon. Lord Halifax, the British Ambassador; Hon. Sumner Welles, Under Secretary of State; James A. Farrell, Chairman of the NFTC; Rear Admiral Emory S. Land, Chairman of the U. S. Maritime Commission; the Hon. Wm. S. Culbertson, former Chairman U. S. Tariff Commission; and several other foreign trade authorities from Great Britain, Latin America, and the United States.

Creditors Influence The Business Future

(*Continued from page 23*)

Back in the NRA days, the government fixed the allowances on used cars. The real value of any used car, however, cannot be determined by reference to a table of used car prices. At the end of a year, two cars bought at the same time may have quite different real values. One car may have had the best of care, have been driven at low speeds and the total mileage driven may not be great. The other car may not have been given the care it should have been, may have been driven at high speeds, perhaps been damaged in accidents and the mileage driven may be high. Obviously, the first car is worth more than the second. It might be worth considerably more than the government permitted a dealer to allow.

One dealer solved this problem by making a thorough survey of the used cars in his territory and starting a list of prospective buyers of such cars. When the owner of a car, obviously, worth more than the allowable trade in value wanted a new car, it was explained to him that the real value could not be allowed. He was given the name and address of one or more prospects to whom such a car could be sold at the real value with the suggestion that he sell direct. Those on these lists were prospects able to pay cash or whose credit was good enough so the bank or some other financing concern would finance the purchase in case they could not pay cash in full. What the dealer did was to gather together the information the car owner needed to sell his car for what it was worth. The net result was a material increase in new car sales. The plan served to meet a situation created by government price control and meet it in a profitable manner. That price control, it was assumed, did not extend to one car owner selling his car to another person who wanted to buy it for his own use. It was rare, however, to find dealers who solved this problem in a manner as satisfactory to all concerned and also within the law.

Government price control, government edicts reducing production and other government regulation and control of private business may ruin a good many business concerns. Regardless of what happens, however, it

is likely some firms will be so adaptable, become so skilled in meeting new situations they will continue to go on doing business at a profit. These firms, of course, will remain the best credit risks. The rather rare and peculiar ability of their managements to meet every situation will count for more in credit rating than size, financial backing or anything else.

Credit grantors who keep a close watch on how new situations are met successfully may be able to gather information which will help to save other customers from ruin. Some managements are not adaptable. They cannot meet changing conditions. A man who made money building wagons and carriages kept right on building them just so long as he could find a customer. He never did see the possibilities in motor vehicle body work. Some lack the vision and imagination needed to see clearly what is happening. They have to be shown. Such managements always welcome the way toward better business and more profits. A man who started in the automobile business with only enough capital to buy one car could not see ahead to the business he finally built up until it was pointed out to him by the bank in which he had his account. He welcomed the suggestion that the bank select a man to be in charge of the financial end of the business. This was a case where the creditor, the bank, influenced, to a marked degree, the future of a borrower. This man built up one of the largest and the most profitable automobile selling concerns in his city and the bank virtually created a profitable client.

It would appear that what that bank did can be done by a great many creditors in the years to come. One of the most important problems promises to be to help business men meet new situations successfully. The bank helped that man who started selling cars to meet successfully a situation which was new to him and it did so by supplying him with information and advice about the phases of business he did not understand. The bank had that information because it was doing business with so many successful business men in so many different fields.

In the years to come, there is reason to believe more customers are going to need advice and guidance in solving new problems if they are to remain in business. Some of these problems are going to be government created ones. Others will arise as the result of the war ending. Some may be due to tax situations. Of one thing we may be certain. There are plenty of new problems ahead of every business concern in every line of business. The creditor is better able to help in solving some of these.

As never before, planning for the future is needed. To a greater degree than ever before the future is uncertain. We do not know how soon this war will end and business and industry can go back to peace time pursuits. We do not know how high the public debt will go nor how heavily we will be taxed to pay government costs and retire the public debt. We do not know when government budgets will be balanced. We do not know whether or not inflation so serious as to lead to national bankruptcy can be prevented. To prevent a lot of things from happening which will prove detrimental to business, however, it is necessary to start planning now and to continue to plan.

Interpretations of Regulation W

CFM Regulation of consumer credit by the Federal Reserve Board, acting under an executive order issued by President Roosevelt, now is in full operation. The last of the regulations went into effect on November 1. Those interested in installment credits should contact the Federal Reserve Bank in their districts at once and ask to be placed on the FRB mailing list for all bulletins on this new Federal regulation—Regulation W.

Interpretations have been issued by the Federal Reserve Board and doubtless others will follow. If you have a problem in connection with this Regulation W. it is suggested that you write to your Federal Reserve Bank and ask for an interpretation. The question will be submitted to the proper authority and you will receive an answer shortly.

Presented below are some of the more important interpretations issued by the FRB:

Amendment No. 1 to Regulation W

Effective September 20, 1941, the Board of Governors amended Part 3 (a) of the Supplement to Regulation W to read as follows:

(a) The maximum credit value of a new automobile shall be 66⅔ per cent of the *bona fide cash* purchase price of the automobile and accessories (including any sales taxes thereon and any *bona fide* delivery charges) but such maximum credit value shall in no event exceed 66⅔ per cent of the sum of the following items:

(1) The manufacturer's retail quotation at factory, or the equivalent of such quotation. (For the purposes of this regulation, this means the retail delivered price of the automobile with standard equipment at the factory, as advertised, or as suggested or recommended to dealers, by the manufacturer; or, in the case of a 1942 model for which such a price has not been so advertised or suggested or recommended, it means the price last so advertised or suggested or recommended for the corresponding 1941 model, increased or decreased by the percentage by which the manufacturer's wholesale price of the 1942 model is increased or decreased from the manufacturer's wholesale price of such 1941 model.)

(2) Transportation charges from factory to point of delivery as suggested or recommended by the manufacturer for inclusion in the retail delivered price at that point, or in the absence of any such suggestion or recommendation then an amount substantially equal to the freight by rail from factory to that point;

(3) Any Federal, State, or local taxes not included in the foregoing; and

(4) Any *bona fide* charges for delivery or accessories not included in the foregoing items.

In case the automobile is sold for delivery at the factory, by a dealer in a given place to a resident of such place or its vicinity who actually intends to bring the automobile to such place or vicinity and use it there, an amount equal to the freight from the factory to such place may be included.

Interpretations of Regulation W

The Board of Governors of the Federal Reserve System has issued the following interpretations of Regulation W relating to Consumer Credit.

Seller of Listed Article Acting as Agent in Extending Credit

A case has been presented to the Board in which a dealer selling a listed article in Group D does not take a note from the purchaser payable to the dealer, but instead, according to arrangements with a bank, takes from the purchaser a note payable to the bank. Since the note is not secured by the listed article, the question has been presented whether the transaction is an extension of instalment sale credit subject to section 4, in which case a down payment would be required, or whether the transaction is an extension of unsecured instalment loan credit subject to section 5(b), in which case the down payment would not be required.

The question is covered by section 2(d) of the regulation. That section defines an "extension of instalment sale credit" as an extension of instalment credit which is made "by any seller" and "arises out of the sale of such listed article," and it specifically states that the definition applies whether the seller is acting "as principal, agent or broker."

It is accordingly clear that the extension of credit here in question is an extension of instalment sale credit, and as such is subject to the down payment requirement.

Loan to Purchase Listed Article, Not Secured by Article

Inquiries have been received as to whether Regulation W limits the amount of an instalment loan (as distinguished from the maturity of the loan) when the Registrant knows the loan is for the purpose of purchasing a listed article but the listed article is not pledged as collateral for the loan. The answer is that unless an extension of instalment credit is made by the seller of the listed article (whether as principal, agent or broker) as described in section 2(d), or unless the extension of instalment credit is secured, or to become secured, by a recently purchased listed article as described in section 5(a), the present regulation does not limit the amount of the credit (as distinguished from its maturity) regardless of the lender's knowledge that it is to be used to purchase a listed article.

Pre-September Credit — Revised or Renewed After November 1

Although W-19 dealt generally with renewals and revisions made during September and October, questions have been received regarding renewals or revisions made on or after November 1, of credits which were originally extended before September 1.

The controlling principle in such cases is that credit originally extended before September 1 may be renewed or revised *once* at *any* time on or after September 1 without the statement of necessity referred to in section 8(a) and on any terms which the Registrant would have granted in good faith in the absence of the regulation. This is the case whether such *first* renewal or revision of a pre-September credit occurs before November 1 (as discussed in W-19) or after November 1. When a pre-September credit has been *once* renewed or revised on or after September 1, whether such renewal or revision occurs before or after November 1, any subsequent renewal or revision is subject to the same requirements which would apply if the credit being renewed or revised had originally been extended on or after September 1. As indicated in W-19, the consolidation of a pre-September credit with a new credit has the same effect, for the purposes of this question, as a renewal or revision of the pre-September credit.

Statement of Transaction—Not Furnished to Purchaser of Note

The question has been asked whether, in view of W-5, Registrant who is purchaser or pledgee of obligation or claim subject to Regulation is required by section 3(a) (2) (B) to receive a copy of the statement of the transaction required by section 4(f). Answer is that purchaser or pledgee is not required to receive this statement. Section 4(f) provides that there shall be a written instrument or record of the transaction which shall contain certain information and of which a copy shall be given to the obligor, but this instrument or record is not necessarily the same document as the "obligation or claim" which is discounted or accepted by the Registrant under section 3(a) (2) (B).

Violation by Obligor

Question: Is consumer who knowingly violates or induces violation of regulation subject to criminal penalties? Answer: Knowing participation in violation may subject offender to criminal penalties.

"Side Loan"—Need Not Be Instalment Credit

Question: Section 8(f) line 6, do words "any other extension of credit" mean any other extension of instalment credit? Answer: Words quoted include but are not confined to other extensions of instalment credit.

Emergency—No Specific Exception For

Question: May a new furnace be purchased without down payment in emergency situations? Answer: Exceptions to down payment requirements are those stated in section 6, none of which extend to the situation described, and the exception inherent in section 5(b).

Purchase or Rediscount of Obligation —Rights and Duties

Question: Suppose bank loans on instalment basis or otherwise (*Cont'd on P.* 43)

NEWS ABOUT CREDIT MATTERS

A section devoted to local Credit Association affairs

November, 1941

Copy deadline 15th of month

Credit Fraternity States New Plans at Good Neighbor Banquet, Oct. 27

New York—A "Good Neighbor" banquet, honoring 19 members of the credit fraternity in this area, was held on October 27 at the Hotel Astor under the auspices of the Credit Fraternity Fund of New York. The occasion formally gave recognition to those who had, early in the year, conducted the successful membership drive of the Fund, which is a non-profit, cooperative organization of credit executives in the New York-New Jersey area, whose aim is to help in the rehabilitation and re-employment of unemployed credit executives. Further plans of the Fund were announced.

Those honored at the dinner were: Franklin E. Bailey, National Credit Office; Frank E. Byrne, Cannon Mills, Inc.; Charles J. Davis, William Iselin & Co., Inc.; Harry J. Delaney, Meinhard, Greeff & Co., Inc., Pres. N. Y. Credit Men's Assn.; Paul Haase, National Assn. of Credit Men; John H. Jephson, John P. Maguire & Co., Inc.; Reuben Kittenplan, Charmette Fabrics; S. S. May, Daily News Record; Henry Meckauer, Credit Fraternity Fund; Philip A. Mitchell, Cullen Fuel Co., Inc.; A. Louis Oresman, Aronson & Oresman Co.; G. W. Patterson, American Cyanamid Co.; William H. Pouch, Concrete Steel Co.; William G. F. Price, National City Bank; Joseph Rubanow, Manufacturers Trust Co.; William Sage, Jr., N. Erlanger Blumgart & Co., Inc.; Henry C. Sheer, American Woolen Co.; August J. Weiss, Lehigh Valley Coal Sales Co.

The featured speaker for the occasion was Henry H. Heimann, Executive Manager of the NACM. Arthur D. Whiteside acted as Toastmaster.

Dibbern Presides at Pacific Parley

Owen S. Dibbern, Western Division Manager of the NACM, presided at the session of Foreign Credits, Collections and Banking at the Pacific Coast Trade Conference, conducted in San Francisco in September under the auspices of the San Francisco Chamber of Commerce. Over 400 delegates were registered for the sessions.

B. Frank Fox, Group Leader, Dies Suddenly

B. Frank Fox, Assistant Treasurer of Lamont, Corliss & Company, New York City, and connected with that concern for more than twenty-six years, passed away on Sunday, October 19, at St. Luke's Hospital. He was taken suddenly ill on arriving in New York from a combined business and pleasure trip to Virginia.

He was born in Pennsburg, Pennsylvania. He lived 28 years at 363 North Walnut Street, East Orange, New Jersey, and moved in September to Village Green, Orange. He was very active in credit work, having been a director of the New York Credit Men's Association for several years and instrumental in forming various food and other credit groups in which he took a keen interest. He also served on Credit Interchange committees, and for the past two years was a member of the National Credit Methods and Practices Committee.

His funeral services were held Wednesday evening, October 22, at the Colonial Home in East Orange, New Jersey.

Frank Fox is survived by his wife—Ella L. Fox—two sons—Gilbert of East Orange and John of Orange—and three daughters—Mrs. Joseph J. Black of Midland, Texas, Mrs. Harry Staples of Peapack, New Jersey, and Mrs. Truman M. Dodson of Charlottesville, Virginia. There are also eleven grandchildren.

Conferences Hold Interest During Oct.

October is the District Conference month. Several of such conferences have been held during the month just closed, from Seattle to Atlanta and from Dallas to Rochester.

Executive Manager, Henry H. Heimann, spoke at the Western Wisconsin and Upper Michigan Conference on October 14th at Oshkosh, Michigan State Conference at Kalamazoo on October 16th, and the Tri-State conference, including New York, New Jersey and Eastern Pennsylvania at Rochester on October 17. He also was the banquet speaker on October 21st at the Southwestern Credit Conference at Atlanta. On October 30th was the banquet speaker at the Northeastern Conference of Credit Men at Springfield, Mass. In addition, Mr. Weir was the banquet speaker on October 17 at the Southwestern Conference of Credit Men at the Baker Hotel in Atlanta. Mr. Heimann also spoke at the Annual Credit Fraternity Fund banquet in New York on October 27th.

The Conference of Secretaries of the Association in the Western Division was held in San Francisco. This was one of the best sessions of the Association Managers held in recent years. President Ray Wilson of Salt Lake City attended this session and, of course, Owen Dibbern, Manager of the Western Division was on hand with his usual broad smile and friendly advice. A picture taken at the San Francisco Conference is shown in this issue.

The 26th Oshkosh Conference

Annual Credit and Business Conference of the executives of Wisconsin and Upper Michigan held on October 14th presented an excellent program of discussions and addresses. The Conference opened with a discussion of "Installment Selling" led by Carl Flora, Assistant Vice-President, First Wisconsin National Bank of Milwaukee. This discussion had to do with the new federal regulations as recently issued by the Federal Reserve Board.

The next address of the morning session was by Raymond S. Blunt, District Governor of Kiwanis, Chicago, whose subject was "Wanted—Leaders Not Leaners." During the afternoon (*cont'd on p. 38*)

Berl Boyd, Louisville Prexy, Is Ordered to Duty as Army Captain

Louisville—Berl Boyd, President of the Louisville Credit Men's Association, a Captain in the Reserve, has been ordered to report to Fort Knox, Kentucky, Sunday. While no definite assignment has been given him, he will report to the GHq. of the Armored Division at Fort Knox.

Mr. Boyd is Credit Manager of Belknap Hardware and Manufacturing Company, Louisville, and is serving his second consecutive year as President of the organization. He has been with his company since January 1, 1925, and only recently was elected a Director of the Company. For many years, he has served in the official family of the Louisville organization, and is recognized as one of the outstanding credit executives in the wholesale hardware field.

Stuart C. Campbell, President, Campbell & Summerhayes, Inc., wholesale lumber dealers, Louisville, Vice-President of the Louisville Credit Men's Association, will serve as Acting President during Boyd's absence. Like Mr. Boyd, Mr. Campbell has been active in the affairs of the Louisville unit, having served for several years as a member of the directorate, and for the second consecutive term as Vice-President. He is a member of the Louisville Board of Education, and active in civic and church affairs.

Fleming Warns of Fire Sabotage

Cleveland—T. Alfred Fleming, Director of Conservation, National Board of Fire Underwriters, was the speaker at the joint meeting of the Cleveland Association of Credit Men and the Insurance Board of Cleveland, held at the Hotel Carter Ballroom on Thursday evening, October 16th. Mr. Fleming's subject was "The Credit Department for Combating Sabotage." Mr. Fleming, through his vocation, has been at the head of a number of successful programs to curb life and property loss.

On November 1st, Ed Phelan, Executive Secretary of the Detroit Association, celebrated his twentieth year of service with that Association. Before going to Detroit, he was a member of the St. Louis Association. It will be remembered that Ed Phelan followed O. A. Montgomery in the spring of 1937 as Secretary of the Detroit Association.

12 Industry Groups Now Active at Minneapolis

Minneapolis—Twin City interest in Industry Credit Groups continues unabated this year. Twelve groups continue to function with regular meetings and complete attendance. Four new groups are in the process of organization. An active Industry Credit Group Committee with representatives from each major industry, heads this important activity this year, and its chairman is Association director Marshall Frost, Minneapolis Iron Store.

The Minneapolis Institute of Credit began its 14th year this fall. The complete curriculum required by the National Institute of Credit is again available to all Twin City students. The basic courses are conducted by the Association and the other courses in collaboration with the University of Minnesota. John McGrath, Loose-Wiles Biscuit Company, instructor in the course of Credits & Collections for many years, again conducts this class. The Association's educational work this year is under the direction of C. H. Rose a member of the Board of the Association and Credit Manager of the Northwestern National Bank & Trust Company.

The Association's first meeting of the year was held in September with approximately 200 in attendance. "Minnesota in the Post War Period" was the subject of an exceptional address by Herbert J. Miller, Executive Secretary, Minnesota Resources Commission.

The October meeting, in accordance with custom, was a Hallowe'en Party—costume —entertainment — bridge — dancing — no speaker — no business. The Associations programs this year are under the direction of the Association's vice-president, H. W. Swenson, Reinhard Brothers Company, as chairman of the Program Committee.

60 Enrolled for Lecture Course

Chicago—More than 60 students are enrolled in the Lecture Course sponsored by the Chicago Association of Credit Men for Juniors in credit work, both young men and young women. The lectures are directed by the Educational Committee of the association and are given in cooperation with the Central YMCA College. Following are the subjects of the lectures and the speakers:

"Opportunities in Credit Work," L. T. Hadley, Goodman Manufacturing Company; "Sources of Credit Information," W. D. Eck, H. D. Hudson Mfg. Company; "Credit as an Asset in Business," Allen Selby, The Chicago Daily News, Inc.; "Mechanics of the Credit Department," Rhae M. Swisher, Rhae M. Swisher & Co.; "Collection Correspondence," J. Pearl McKinney, Cook Chocolate Company; "Personal Collection," W. J. Claussen, Hibbard, Spencer, Bartlett & Co.; "The Debtor, the Creditor and the Law," Wm. H. Hottinger, Jr., Bowey's Inc.; and "Negotiable Instruments," E. Wylie, Container Corp. of America.

Following a summary of the course and final examination, the students will attend a complimentary dinner to be given by the Association.

The Chicago Association also is sponsoring a lecture course on insurance.

The first initiation of the San Francisco Herd of Zebras, held on September 26th, elevated fifteen lowly Mules to the exalted class of Zebras. This was a joint meeting with the Herd from Oakland. Claude Kehoe, having been elected Superzeb, received the gavel from outgoing Superzeb, Larry Victor

The above picture taken at the fall Session of the Secretary-Managers of the Western Division on August 25th-28th presents a number of old timers who are seen at Annual Credit Congress Sessions. In the back row will be recognized President Ray Wilson; at his left, Past President Dan I. Bosschart. The lone gentleman standing right center is none other than Owen Dibbern, Western Division Manager

Credit Women Score Successes in Test of Joint Meeting Plans

Credit Women's Clubs this year are experimenting with a plan contemplating joint meetings between several clubs. San Francisco, Fresno and Los Angeles held such a meeting at Fresno, and the Cleveland Credit Women's Club was host to 69 credit women in Cleveland, October 4th and 5th. Both of these meetings were quite successful.

At Cleveland 13 credit women from Chicago attended. Detroit was represented by 16; Pittsburgh by 12; Toledo by 16; and Cincinnati by 4. The attendance at the dinner meeting on Saturday evening, October 4th, was 107. The speakers' table, which included fourteen, looked like a Credit Women's function at a National Convention, as there were three members and the Chairman of the National Credit Women's Executive Committee, five visiting club Presidents and past officers of the National Credit Women's Club.

Miss Josephine Chamberlain, President of the Cleveland Club, presided. The principal speaker after the dinner on October 4th was Miss Margaret A. Mahoney, a State Representative in the Ohio Legislature and a Cleveland attorney who spoke on "Women in Business and Politics." On Sunday morning the Credit Women again gathered in the Rose Room of the Hotel Cleveland for a 9:30 breakfast.

After a general discussion of the first conference of the Middle Central Credit Women's Clubs, the opinion was expressed that a similar conference would be held in future years. Helen Ferguson, President of the Detroit Women's Club, invited the conference to Detroit for next year. The visitors who came by train were then entertained with a drive around Cleveland while those who had motored to the Cleveland meeting started back to their respective homes imbued with the idea that the district or joint conference idea was an excellent one.

The joint meeting of the San Francisco, Los Angeles, and Fresno Credit Women's Clubs during the weekend of September 20th was also a huge success. There were 54 in attendance at the dinner on Saturday night and about 40 attended the Sunday morning breakfast. While the object of the joint meeting was more or less a social one, a number of plans for promoting the work of the several clubs were discussed. Short talks were made by Owen Dibbern, Western Manager of the National Association, Otis Walker, Secretary-Manager of the San Francisco Association, and M. F. Troxell, Secretary-Manager of the Fresno Association.

The Credit Women's Club of the Chicago Association of Credit Men celebrated its 15th birthday on October 14th with a dinner held in the Chicago Bar Association Restaurant. Howard Smith, of the Dale Carnegie Institute, was the speaker, his subject being "How to Remember Names and Faces."

The Credit Women's Club also sponsored the luncheon meeting of Credit Executives on October 30th. The speaker was Mrs. Rose Forrester, United States Commissioner of Conciliation. The luncheon meeting was held at the Hotel Sherman.

New York—A large turnout of members welcomed the new President of the New York Credit Women's Group, Miss Catherine Cohen, of New York Girl Coat Co., as the Group resumed regular monthly dinner meetings, on Oct. 2nd, at the Fifth Avenue Hotel. The meeting, as is always the first meeting of the season, was largely in the nature of a reunion, with only Association members invited as guests.

Mrs. Pearl Rose Knoll, of Andrew Jergens Co., former President of the Group, read a very interesting report on the annual Convention held in New Orleans last May, which she attended as delegate of the Group.

Catherine Cohen keynoted the meeting with a charming welcome, and a word about the momentous times we are going through and the need for clear and honest thinking.

Harry Delaney, of Meinhard Greeff Co., President of the New York Credit Men's Association, made a few remarks, cautioning those present to watch the effect of priorities on small businesses and predicted that failures would result from the difficulty of getting materials and supplies.

(Cont'd on p. 38)

Association Activities

Chattanooga—The October Dinner Meeting of the CACM was held at the Read House. Entertainment was furnished by Miss Freda Cooper. Franck C. Hamilton of the Pepsi-Cola Bottling Company was the principal speaker.

C. Calloway, Jr., gave a short talk on the importance of attending the Southeastern Credit Conference which was held in Atlanta, Ga., October 21st and 22nd. Thirty members of the Chattanooga Association of Credit Men attended.

J. H. Spaulding, Chairman of the Educational Committee, reported that fifty-six persons had enrolled in the class on Credit Analysis.

Providence—The Rhode Island Association of Credit Men heard an interesting talk by Lynn L. Bollinger, Assistant Professor of Business Administration, Harvard University, on October 22nd on "Financing Defense Orders." Professor Bollinger has just published an important book on this subject and presented a number of interesting sidelights on defense contracts.

Philadelphia—"Some Insurance Problems Today" was the subject of the October Luncheon Meeting of the Credit Men's Association of Eastern Pennsylvania. John A. Stevenson, President of the Penn Mutual Life Insurance Company, was the speaker.

Omaha—C. M. Howard, of the Standard Oil Company of Nebraska, in "The Credit Pointer," the monthly bulletin of the Omaha Association of Credit Men, had this to say about the Summer Institute of Credit, "When 79 credit men out of a total of 80 in attendance at the Summer Institute of Credit Management voted approval, it is fairly obvious that the thing was a success. The missing ballot represented a member who was absent because he became over-stuffed through trying to down three desserts at one sitting in the excellent dining room at Babson Institute so the vote was practically unanimous."

Detroit—The Insurance Advisory Council of the Detroit Association of Credit Men is sponsoring a contest on a series of questions to be asked in each issue of "Credit Digest," the monthly announcement sheet of the Association. The first question asked was, "Why should the Credit Manager be concerned with the kinds and amounts of insurance carried by his Debtor or prospective Debtor?" The answers were required to be under 200 words.

Grand Rapids—The Grand Rapids Association sponsored a joint meeting with the Michigan Insurance Agents Convention on September 11th. Ed Moran came over from Chicago and made a talk on "Insurance in Relation to Credit."

Seattle—The Seattle Association of Credit Men joined with the Retail Credit Association of Seattle in a joint meeting on October 20th. The speaker was Howard B. Fletcher, Federal Bureau of Investigation Special Agent in charge of the Seattle District, his subject being "Law Enforcement and Internal Security." As usual, a joint meeting between the wholesalers and the credit men representing the retailers drew a large attendance.

Promotions

Many friends of Edward E. Ogren, Assistant Secretary, Stanley Works, New Britain, Conn., will be very much interested to know that Ed has just been promoted to be Assistant Secretary. He has been an active worker in the Connecticut District and has served as a National Director for a full term.

Harry Brinkman, of the Foto-Lith Company, Cincinnati, has just been made Vice President of the National Association of Photo-Lithographers. Mr. Brinkman has been an active member of the Cincinnati Association for some time.

Obituary

Chicago—On August 25, Mr. Elmer Sandhop passed away suddenly at the Grant Hospital in Chicago. He had been with Bunte Brothers for over 23 years, starting as an office boy there and working up to the position of General Credit Manager, and was also in charge of exports. He was a very active association member here in Chicago, was on the Adjustment Bureau Committee, and was especially active in New Orleans at the Convention of the National Association of Credit Men, particularly the industry group meeting. Mr. Sandhop at one time was Vice-Chairman of the Manufacturing Confectioners' Credit Group, and has served from time to time in a number of committees. He leaves his wife, Evelyn, and son Darrel, and a daughter Linda.

Position Wanted

OFFICE CREDIT MANAGER. Fifteen years varied experience. Capable accountant, correspondent, supervisor of personnel. Successful collection record in wholesale lines. Background Foods and General Merchandise. Age 38. For full information address Box 11-A, Credit and Financial Management, 1 Park Ave, N. Y.

POSITION DESIRED with Manufacturer, Bank, Factor or Finance Company where over twenty years' experience in credits, finances, administration and business consultation can be utilized. Mature judgment and initiative with well developed contacts—loyalty and the ability to cooperate. Box 11-B, Credit and Financial Management, 1 Park Ave, N. Y.

EXECUTIVE—With experience handling credits, financing, budgeting, tax matters in Machinery Manufacturing firms. Age 40. Presently employed in middle West. Excellent references. For further information address Box 11-C, Credit and Financial Management, 1 Park Avenue, N. Y.

Chicago Schedules Luncheon Programs

Chicago—A series of Thursday luncheon meetings is being promoted by the Chicago Association of Credit Men. Among the interesting topics discussed are "Legislation" by Elmer J. Schnackenberg, prominent Chicago lawyer and Speaker of the House of Representatives of the Illinois General Assembly; "Fire Prevention" by Frank C. McAuliffe, Chief of the Chicago Fire Insurance Patrol; "The Football Outlook for 1941" by Kenneth L. ("Tug") Wilson, director of physical education and athletics at Northwestern University, with motion pictures of the Northwestern team "Foreign Trade" under the direction of the Foreign Trade Division of the association; "Baseball Day" with John P. Carmichael, sports columnist of the Chicago Daily News as guest speaker and one under the direction of the Credit Women's Club of Chicago to be addressed by Mrs. Rose Forrester, United States Commissioner of Conciliation, Department of Labor, Washington, D. C.

In addition the association is conducting two Forums, one addressed by Frederick A. Virkus, President Illinois Division, National Small Business Men's Association and another by Charles S. Dewey, Chicago Congressman.

Cleveland to Greet Three State C Men

Credit executives of Ohio, Pennsylvania and West Virginia will gather on November 6th, 7th and 8th at the Statler Hotel for the annual meeting of what is known as the Ohio, Pennsylvania and West Virginia Conference. The Associations cooperating with Cleveland in the conference program are: Bluefield Assn. of Credit Men, Charleston Assn. of Credit Men, Cincinnati Assn. of Credit Men, Clarksburg Assn. of Credit Men, Cleveland Assn. of Credit Men, Credit Assn. of Western Penna., Dayton Assn. of Credit Men, Detroit Assn. of Credit Men, Huntington Assn. of Credit Men, Parkersburg-Marietta Assn. Credit Men, Toledo Assn. of Credit Men, Wheeling Assn. of Credit Men, Youngstown Association of Credit Men.

The speakers listed on the program are the following: Herman H. Lind, Deputy Co-ordinator, O.P.M., Cleveland area, his subject, "Distribution of Defense Contracts;" Henry H. Heimann, Executive Manager, National Association of Credit Men, his subject, "The New Order for Credit;" Eugene Benge, Benge Associates, Chicago, Ill., his subject, "Today's Psychology for Business and Credit Executives;" U. S. Senator, Harold H. Burton, his subject, "American Business Looks Ahead."

Bridgeport.—The Bridgeport Association plays host to the other Associations in Connecticut at a joint meeting to be held in Bridgeport at the Stratfield Hotel on Wednesday, November 12. They plan to have as their speaker, Mr. DeLoss Walker, Associate Editor of "Liberty Magazine."

Credit Institute Chapters Away to Flying Start

Kansas City—Cooperating with the Kansas City Advertising Club, the local Association is offering a course in Public Speaking, as well as a course in Analyzing Financial Statements.

Johnstown—Local Credit Association members are continuing their Institute classes this year with Business Letter Writing under the instruction of Professor John May of the University of Pittsburgh.

Detroit—Credit Education activities are being sponsored by the Detroit Chapter NIC and the Detroit ACM in cooperation with both the University of Detroit and Wayne University. A full schedule of courses leading to the awards of the NIC were announced.

Cleveland—Marked with high enthusiasm the first meeting of the Cleveland Chapter of the NIC was featured wth a display of illustrated forms and graphs. At the second meeting, on October 27, W. G. Spelman of the Cities Service Oil Co. spoke on "Methods of Determining Credit Progress," followed by A. M. Marks of Wells and Marks who discussed "Behind the Scenes in a Law Suit." B. E. Loftus is President of the Cleveland Chapter this year.

Cincinnati—An Educational program sponsored by the Cincinnati Chapter, NIC, in cooperation with the Cincinnati ACM is being offered at the Evening College of the University of Cincinnati. The group also holds monthly meetings of a social and professional nature on the campus. Courses leading to both the awards of Associate and Fellow were made available.

Chicago—Sixty-seven students were enrolled in the Junior course offered by the Chicago Chapter of the NIC. This successful response was duplicated with a high registration in the new course scheduled for Monday evenings from October 20 to November 24 at the Central YMCA. Each lecture will be followed by a forum, the entire program being designed to bring out the close relationship of insurance and business problems.

The special lectures sponsored each week by the Educational Committee continue to draw large attendance. Courses in Public Speaking are also available through the Double X Club and the 33 Club which are part of the local Association.

Boston—The Boston Chapter, NIC, held its second meeting on October 21. It was featured as "Past President Night." On November 18, Frank P. Bennett, Jr., Publisher of the U. S. Investor, will speak on "Credit Tests for a Bank's Portfolio." Other Institute meetings are planned for December 9, January 20, February 17, March 24, with the Annual Election Meeting on April 21.

Binghamton—Resumption of educational activities in Binghamton was announced early in October with a course in Credits and Collections. The local Credit Women's Club is also cooperating in offering a course in Business Psychology at Binghamton Central High School.

Utica—Credit Women's Club is sponsoring a course in Business English in cooperation with the Utica ACM.

Toledo—Educational activities in this city, under the sponsorship of the Toledo ACM, include a class in Credits and Collections weekly at Toledo University and a course in Business English at the YMCA.

Syracuse—The Syracuse Chapter of the NIC is offering courses in Business English and Correspondence toward the Associate award, and Advanced Credits toward the Fellow award. The former is taught by Professor Howard T. Viets of Syracuse University, and the latter by Sherman M. Anderson of Charles Hubbard Sons & Co.

St. Louis—Nine courses are offered under the sponsorship of the St. Louis ACM by arrangement with the Distributive Education Department of the St. Louis Public Evening Schools. These courses have NIC approval, and satisfactory completion will entitle students, who are registered with the NIC, to apply courses toward either the Associate or Fellow awards, as well as the academic keys signifying the awards.

The courses listed this year include both primary and advanced classes in Credits and Collections, Laws Affecting Retail & Wholesale Credits, Economics of Business, Public Speaking, Letter Writing, Accounting and Sales Fundamentals.

Rochester—The first forum meeting of the local Chapter on October 1, drew 75 people including members of the Rochester Chapter of the American Institute of Banking, to hear J. Leslie Harper, Glenn Williams, and Harlan Calkins in a Taxation Clinic.

Richmond—Sponsored by the Richmond ACM the Richmond Chapter is offering a course in Credits at the Virginia Mechanics Institute, one of the outstanding night schools in the State. B. W. L. Blanton, III is President of the Richmond Chapter this year.

Pittsburgh—Courses offered by the Pittsburgh Chapter through the Evening Division of Duquesne University were announced at the beginning of the present school year. The Pittsburgh Chapter is headed by James B. Parkhill of the American Oil Co. and the Association's Education Committee is under the Chairmanship of M. V. Johnston, Gulf Oil Corp.

The Pittsburgh Chapter is also offering a series of Seminars for seasoned credit executives. The first series covers sessions of two hours weekly from October 6 to November 10, and will be repeated from February 2 to March 9.

The subjects are Business Psychology, under the leadership of C. E. Willis, and the instruction of B. E. Grant of the Duquesne University faculty; and Bankruptcy under the leadership of T. D. Sheriff, and the instruction of R. H. Coleman, Manager of the Adjustment Bureau of the Credit Ass'n of Western Pa.

Philadelphia—Educational classes sponsored by the local Association were begun during "Credit Men's Week" October 13-18. On Tuesday of that week the Credits and Collections class started, followed by Analysis of Financial Statements on Thursday, and Accounting for Credit Men on Friday. To publicize its offerings the Association's Secretary, J. Stanley Thomas, released a series of printed direct mail promotional pieces.

New York—Six courses are offered by the New York Chapter NIC this year under the Presidency of John B. Schoenfeld of H. A. Caesar & Co. On October 9 the Chapter staged a forum meeting to discuss the subject, "Character and Attitude of the Credit Executive." A discussion followed the address on this topic by A. A. Belmonte of Carbide and Carbon Chemicals Corp., who is past Chairman of the Chemical and Allied Industries Division of the N. Y. ACM.

Newark—The New Jersey Chapter of the NIC is offering an Educational program both at Rutgers University and the University of Newark in the following subjects, which will be eligible for NIC credit: Economics, Credits and Collections, Accounting, Business English, Business Law, Public Speaking and Merchandising.

The Institute has also scheduled a series of five lectures on "Problems in Credit Management" by Professor Louis P. Starkweather of New York University. The first, on October 21, analyzed "Efficiency of Credit and Collection Departments." The second is scheduled for December 5, and will cover, "Analyzing Financial Statements for Credit Limits." Subsequent lectures in this series will be on January 20, March 27, and April 21.

Minneapolis—Under the leadership of C. H. Rose, Chairman of the Association's Educational Committee, Minneapolis is offering courses in Credits and Collections and Advanced Credit Problems through the local Association. And, in cooperation with the University of Minnesota, students can take the other 6 courses that are required for the Associate and Fellow awards of the NIC.

Milwaukee—Both the Extension Division of the University of Wisconsin and Marquette University are cooperating with the Milwaukee ACM in offering the courses leading to the awards of the NIC.

Louisville—The first meeting of the Louisville Chapter was held on October 14 and heard David F. Cocks of the Standard Oil Co. of Kentucky discuss, "Does Educational Preparation Pay?" The next Chapter meeting is scheduled for November 19, and will hear Charles W. Williams speak on "What's Ahead for Business?" Other special meetings in the Institute program are scheduled for January 13, February 10, March 10, and April 14, when the Annual Spring Dinner will be featured by the appearance of NACM's Executive Manager, Henry H. Heimann.

Oklahoma City—With John McNair of The Fox-Vliet Drug Co. as Chairman, the Educational Committee has classes in operation in Public Speaking and Analysis of Financial Statements for the advanced students, as well as a class in Credits and Collections for junior students.

Conferences Hold Interest in Oct.

(*Cont'd from p. 33*) session subjects discussed were "Priorities" under the leadership of Warren G. Bailey, District Manager of Priorities Field Service, Chicago, and also an I. Q. Credit Intelligence Test conducted by E. B. Moran, Central Division Manager. Prizes were awarded for the largest number of correct answers. Prof. Walter Morton, University of Wisconsin, also gave an excellent talk on "Inflation—Cause, Effect, Control." Executive Manager, Henry H. Heimann, was the banquet speaker. His subject was "Credit's New Order."

Rochester Is Host

The 27th Tri State Conference, District No. 2, including New York, New Jersey and Eastern Pennsylvania was held at the Hotel Seneca in Rochester on October 16th, 17th and 18th. The Conference opened with a general reception and get-together on Thursday evening in the Palm Room of the Hotel Seneca. Music and a snack supper were among entertainment features.

The program for Friday included talks by Mortimer J. Davis, Advisor of the New York Association, whose subject was "Adjustment and Bankruptcy." During the afternoon David C. Barry talked on "Defense Financing." Kenneth Campbell of the Foreign Credit Interchange Bureau in New York talked on "Foreign Trade Notes" and Merryle S. Rukeyser talked on "Inflation."

The banquet on Friday evening was featured by an address by Executive Manager, Henry H. Heimann, and a special program of entertainment provided by the Eastman School of Music in Rochester.

The program for Saturday morning brought addresses by Dr. C. E. K. Mees on "Research in Industry." A. L. Carr, vice-president of the National Surety Company, spoke on "Insurance in Credit Work" and L. E. Frailey, an eminent authority on business correspondence, spoke on "Collection Letters."

Conference at Kalamazoo

The Associations in Michigan gathered on October 16th for a full day's conference at the Columbia Hotel. Paul M. Millians, American Credit Indemnity Company, made the principal talk at the morning session, his subject being "Behind the Balance Sheet." A general discussion led by Lewis O. Atherton, Secretary of the Jackson Association, followed. The luncheon session, which was presided over by Thomas W. Peck, National Director, heard an address by Dr. Paul L. Thompson, President of the Kalamazoo College, on "The Foundation of Credit." In the afternoon Dr. Charles L. Jamison, Professor of Business Policy at the University of Michigan, gave a talk on "Credit Risk." Another talk by Herbert H. Gardner, Vice President of the Manufacturers National Bank of Detroit, Michigan, was heard on "The Economic Aspects of the Defense Program." The conference closed with a banquet at 6:15 with an address by Harry J. Offer of Detroit. Executive Manager Henry H. Heimann was the guest speaker, his subject being "Credit's New Order."

Southeasterners at Atlanta

Associations in the Southeastern area met at the Biltmore Hotel, Atlanta, on October 21st and 22nd. The conference started on Tuesday afternoon with registrations and a banquet at which Executive Manager Heimann was the principal speaker, at 6:30. On Wednesday the business session started at 9 o'clock and wound up at 5 P. M.

One of the features of the conference this year were trade group luncheons. In place of having the entire group in one gathering, representatives of each industry got together for a discussion from 12:00 to 2:30.

New Englanders Gather

The Associations comprising the New England District gathered at Springfield on October 30th for a district conference. Most of the discussions were relating to the effect of National Defense on business. A representative of the Office of Production Management spoke on "Defense Materials." A. J. Guffanti, Vice President, Springfield National Bank, talked on "Installment Credit Regulations." Camilo Rodriguez, of the Davol Rubber Co., Providence, led an interesting discussion on "What can your local Association do for the individual Credit Man?" Henry H. Heimann, Executive Manager, and David A. Weir, Assistant Executive Manager, also took part in the program.

Dallas Is Southwest Host

Credit Associations in Texas, New Mexico, Oklahoma, Arkansas and Louisiana gathered at the Baker Hotel in Dallas on October 17th and 18th. The Friday morning program was featured by a talk by H. N. Fisch, of H. J. Justin & Sons, Fort Worth, Texas, on "The Kind of Credit Manager I Would Like to Be." An explanation of the new credit regulation, "Regulation W" was given by R. R. Gilbert, President, Federal Reserve Bank of Dallas, Texas, and a talk on "Audit Reports For Credit Purposes" by E. R. Boyd, C.P.A., of Dallas. R. L. Thomas, Vice President of the Dallas National Bank, spoke during the luncheon session on "Independence Through Defense." During the afternoon on Friday, fourteen Industry Groups held special sessions similar to those held at the annual Credit Congress.

David A. Weir, Assistant Executive Manager, National Association of Credit Men, was the speaker at the evening banquet on Friday evening. Mr. Weir's subject was "Preparedness For Peace." On Saturday morning a discussion of Credit Interchange was conducted by R. A. Colliton, Manager, Central Credit Interchange Bureau, St. Louis. Talks were also given by Joe P. Harris, Dallas County Superintendent of Schools, and T. C. Richardson, Associate Editor, "Farm & Ranch," at Dallas. This conference drew the largest attendance of any recent district conferences in the Southwest.

Our Distaff Side

(*Continued from p. 35*)

El Paso—Saturday night, September 13th, the Credit Women's Club of El Paso gave a big party for one of the Batteries of the 260th Coast Artillery, Anti-Aircraft, stationed at Fort Bliss, Texas. The officers and men, numbering 150, were given a taste of that "Western Hospitality," with the aid of 100 local girls invited by the Club members.

An all girl Western orchestra, the Rancheritas (sponsored by the El Paso Chamber of Commerce) played for dancing, and games and other features were available for those not dancing. Supper was served at the end of the evening, after the guests were initiated into the Mexican custom of the "Pinata."

St. Louis—A. P. Brigham, Jr., Credit Manager for Pet Milk Sales Corporation, and President of the St. Louis Association of Credit Men, was the speaker at the October meeting of the Credit Women's Club of St. Louis.

The Credit Women are cooperating with the Membership Committee of the St. Louis Association in a drive to obtain membership among women assistants in Credit Departments.

Bridgeport—A special party for women members was held on October 24th by the Bridgeport Association of Credit Men. This year the party was held at the Silvermine Club in Norwalk, Conn., the following being the women members of the Bridgeport Association who attended—Miss Anna May Dean, Chairman of the Women's Committee and Credit and Office Manager of the Bridgeport Switch Company; Mrs. Hazel Fraher, Assistant Credit Manager of the Bridgeport Fabrics Co.; Mrs. Evelyn Hiller, Credit Manager of the Bassick Co.; Miss Katherine A. Kennedy, Secretary of the Rostand Mfg. Co. of Milford, Conn.; Miss D. Olmstead, Credit Manager of the Mitchell Bros., Inc.; and Miss Helen M. Powers, of the Waterbury Lock & Specialty Co. of Milford, Conn.

Minneapolis—Brace Bennitt, newly appointed Secretary Manager of the Minneapolis Association of Credit Men, was the speaker at the Wholesale Credit Women's Clubs October meeting, at which 41 were present. Mr. Bennitt, who was formerly with the National Association of Credit Management, New York City, recently came to Minneapolis to serve as Executive Secretary-Manager of the Minneapolis Association of Credit Men. He discussed the detection and prevention of fraud, his subject being "Spilled Milk."

The club's President, Miss Muriel West, announced that Miss Blanche Scanlon has been selected to serve on the National Women's Executive Committee.

Philadelphia—The Philadelphia Credit Women's Club held its October meeting on October 9th at the Adelphia Hotel. W. Clement Moore, Business Analyst and Consultant, was the speaker, his subject being "The Road to Tomorrow." The meeting was in charge of Mary E. Kunkel and Margaret Bruckheiser, as hostesses.

141 New Members Is Birthday Gift To Henry Heimann

One of the features at the annual session of the Presidents of Associations in the Central Division held in Chicago late in September was the Henry Heimann Birthday Party. On this occasion 141 new memberships were reported. National Director A. L. Podrasnik presided at the birthday party. Other National officers present were Vice President Bruce Tritton, and National Directors Harry Offer and Thomas Peck. This birthday party was in addition to the celebration mentioned in the October issue of the Tenth Anniversary of Mr. Heimann's appointment as Executive Manager which was held in New York at the National office.

E. B. Moran, Central Division Manager of the NACM, was recently named a member of the Advisory Board of the Marketing Club of the College of Commerce, University of Illinois. Mr. Moran is also scheduled to speak before the Marketing Club shortly on the subject "Where Does the Credit Manager Fit in the Distribution Program?"

New Orleans Women Sponsor Scholarship

New Orleans—The New Orleans Credit Women's Club and the New Orleans Chapter, National Institute of Credit held a joint dinner meeting last month at which time they were addressed by an outstanding speaker from Loyola University.

A scholarship is being sponsored in a class in Credits and Collections to be held in conjunction with the Chapter, and many of the members have already enrolled. The course will be conducted by Mr. Fred L. Lozes, Sect'y-Treas. of the New Orleans Credit Men's Association and will cover a period of thirty weeks.

Baby Daughter

Professor Louis P. Starkweather, of New York University, passed around the cigars during late September, the occasion being the arrival of a baby girl to keep company with his three year old son. Eleanor Widger Starkweather was born on September 25th. Professor Starkweather has written a number of articles on bankruptcy matters for the magazine and also was a lecturer at the Summer Institute of Credit.

Zebraffairs

Memphis—The Memphis Herd of the Royal Order of Zebras held their September meeting in and about the beautiful country home of Zebra Walker Hays, where they enjoyed a delightful outdoor barbecue supper, and afterward holding monthly business meeting.

Zebra Tony A. Miller of Abraham Brothers was elected Exalted Superzeb.

Commercial Credit Analysis— No. VII

(*Cont'd from P. 16*) sales for the entire year. When related to the volume for the period in which they originated, their increased heaviness becomes evident instantly.

Admittedly, the figures used in the illustrations in this chapter were especially prepared to emphasize the points that have been developed. However, this should in no way diminish the importance of recognizing the weaknesses that exist in the customary methods of analyzing receivables or reflect on the efficacy of the procedure advanced for the avoidance of these pitfalls. It is only through the magnified deficiencies of the exceptional case that we are brought to a realization of the less dramatic infirmities of the average instance.

Effect of Varying Selling Terms

IN viewing the relationship of receivables to sales, either *in toto* or by monthly age groups, the analyst should not overlook the effect of varying selling terms on the ratios shown. If all sales during the month of December, for example, were made on net 30 day terms, then it would not be improper to see a full 100% of December sales uncollected at the close of the calendar year. On the other hand, if all sales for the month were made on net 10 day terms, the ratio of December accounts at the year-end to December sales should not be much in excess of 33% if the most favorable conclusions are to be drawn. If varying proportions of December sales are made on each of the terms mentioned, then we may expect a fluctuation of the December ratio somewhere between 33% and 100%, depending on the preponderance of the weight toward one type of sale or the other.

Perhaps under normal conditions there will be no great deviation in the average proportion of varying terms in monthly sales but in making comparisons of monthly ratios, as well as yearly ratios, from period to period the analyst should be ever cognizant of the conceivable effect of a variation in the structure of the sales factor from the standpoint of selling terms. Since ordinarily there is no statistical classification of sales on this basis, he must reinforce his ratio impressions by obtaining a segregation of receivables into "not due" and "past due" groups or by direct inquiry of the management.

In a good many businesses, of course, selling terms do not vary at all but remain consistent for all products, to all customers, at all times. In such instances, no problem is raised and greater reliability can be placed on the significance of ratios alone.

Miscellaneous Considerations

IN this concluding section of the chapter we shall touch briefly on several miscellaneous considerations

which have not fitted into our discussion to this point.

For nearly half a century now it has been possible for business management to take out credit insurance on its trade accounts receivable covering *abnormal* credit losses. We stress "abnormal" because credit insurance, like all insurance, is necessarily based on an unanticipated happening and it cannot be applied to the anticipated or normal credit losses of a business.

Credit insurance contracts generally fall into two classifications—General Coverage and Specific Coverage.[5] A General Coverage policy is based on the total volume of credit sales and is written to cover all credit losses *in excess of* an agreed amount which purports to represent the normal credit losses of the business as determined largely by past experience. A Specific Coverage policy is written to cover certain named accounts and may provide either for 100% protection against credit loss or for an amount in excess of an agreed primary loss which is assumed by the insured.

From the viewpoint of the credit analyst, credit insurance represents another manifestation of conservative business management. It enables an enterprise to fix absolute limits to the extent of its bad debt losses and thus permits a greater degree of stabilization in operation planning.

Incidentally, credit insurance may have a very definite direct value to the banker in the arrangement of loans against the specific assignment of accounts receivable. Insurance may be written to cover all losses on the accounts in excess of a stated amount and the bank can then lend against the face value of the receivables up to a reserve of that amount without fear of loss through worthless or depreciated items. The insurance policy may be given a collateral benefit rider providing for the payment of loss benefits to the bank and deposited along with the receivables as security to the loan.

Inasmuch as it is considered accepted accounting practice by some to charge a dishonored trade note receivable to the maker's open account, along with the fees and other costs arising from the dishonor and notification procedure,[6] the analyst should give some attention to the possibility of the inclusion of items of this kind among trade accounts receivable. Obviously, a dishonored note is a weak constituent element in an asset total, calling either for analytical deletion or for a liberal offsetting reserve.

It should go without saying that assigned or pledged receivables should be carefully observed and allowances made for the implications of financial weakness involved as well as for the unavailability of the hypothecated portion of the asset for the protection of the general creditors of the business. Ordinarily, hypothecated assets will be plainly earmarked in audited statements but special interrogation may be advisable in other instances.

Finally, it may be mentioned that in exceptional instances where unit sales are large or customers are few in number, it may be practicable to obtain a complete list of outstanding accounts at each year-end. This permits an independent investigation of the financial responsibility of the larger debtors shown and enables the analyst to follow the trend of individual accounts. Even where the number of customers is fairly large, it is helpful to obtain credit ratings on a cross-section of the larger accounts in order to form some idea of the general class of clientele served.

[5] Williams, P. M., "Credit Insurance," in the *Robert Morris Associates Bulletin*, December, 1939, p. 187.

[6] Paton, W. A., "Accountants' Handbook" (The Ronald Press Company, New York, 1935), p. 296.

100 Years Ago in the New York Tribune

By this morning's mail, we are enabled to announce the heart-cheering intelligence of the Passage of the Bankrupt Law through the House by Yeas 110, Nays 106—*Only Three Loco-Focos in the Affirmative,* all the Impracticables in the Negative, yet only making 24 Whigs against it all told. So the yawning chasm is closed! Now look with hope for other measures of relief and gladness.

BE SURE TO GET YOUR CREDIT MANUAL EARLY.

Mr. Fox Tells More About His "Envelope" Cash Book Short-Cut

This correspondence relates to Mr. Fox's article describing a short cut for handling remittances in the September issue of Credit and Financial Management. Members will be grieved to learn of the sudden death of Mr. Fox, as related on page 33.

The Editor
Credit & Financial Management
1 Park Avenue
New York, New York

Gentlemen:

In your issue for September 1941, you have an article by B. F. Fox of Lamont Corliss Co., in which he states that he substitutes the envelopes inclosing his customers remittances for a cash book. I notice, however, that he further states that the checks are listed according to ledger by the head bookkeeper and then they are posted to the ledger. One is tempted to ask if the sheet or book in which these remittances are listed is not a supplementary Cash book, and further, if there is no Cash book, where are the miscellaneous credits apart from accounts receivable listed?

Also he makes no mention at all of how disbursements are handled without a cash book in which to record them.

Mr. Fox also states that he gets about 1200 checks a day. I fail to see how keeping this enormous number of envelopes for the sake of settling an occasional discount dispute would even begin to pay for the storage space occupied by the envelopes and the filing of same especially as this information is already in the daily list of checks and also in the ledger.

If however, Mr. Fox keeps no record of the checks received outside the entry in the ledger he is merely operating under the old single entry system which is certainly nothing new and is in use by thousands of small business concerns.

It does not seem to me however that Mr. Fox has told the whole story in his article because a large business like that of Lamont Corliss could not keep accurate records without a Cash Book or Cash Journal, especially in California where we have a 3 per cent sales tax and the State Auditors make a check every year or so and our records had better be complete.

Yours truly,
Edward C. Brown,
Auditor.

Here is the reply by Mr. Fox:

October 1, 1941

Mr. Edward C. Brown, Auditor
L. B. Harrison Company
311 West Fifth Street
Santa Ana, California

Dear Mr. Brown:

Mr. R. G. Tobin, Editor and Manager of Credit & Financial Management, has referred your letter of September 19 to me for reply.

The listing referred to in my article in the September issue is an adding machine listing and therefore does not have any information, except the amounts. The envelopes are the cash book and the only complete record of the names and figures.

Disbursements are not handled by the Credit Department. They are taken care of by the Accounts Payable Department and they have the usual voucher record. The Cashier's Department posts the *daily total* of deposits to General Ledger Cash Book.

We have an independent audit annually and our auditors agree with us that our cash system is just as complete as any other that they have ever seen; and while it may occupy a little more space in the filing, yet the saving we make in clerk hire more than offsets any such expense several times. It takes a boy an hour to an hour and a half to clip the envelope cash slips together and file same.

We do not believe we have claimed that it is a brand new idea in accounting, but it certainly was new ten years ago when we started it for a business of this size.

If there is anything further that is not clear to you, I shall be glad to have you write Mr. Tobin or me direct, when I will endeavor to explain.

Yours very truly,
Lamont, Corliss & Company
B. F. Fox,
Ass't. Treasurer.

BFF/AMR

Credits in a Complex Industry

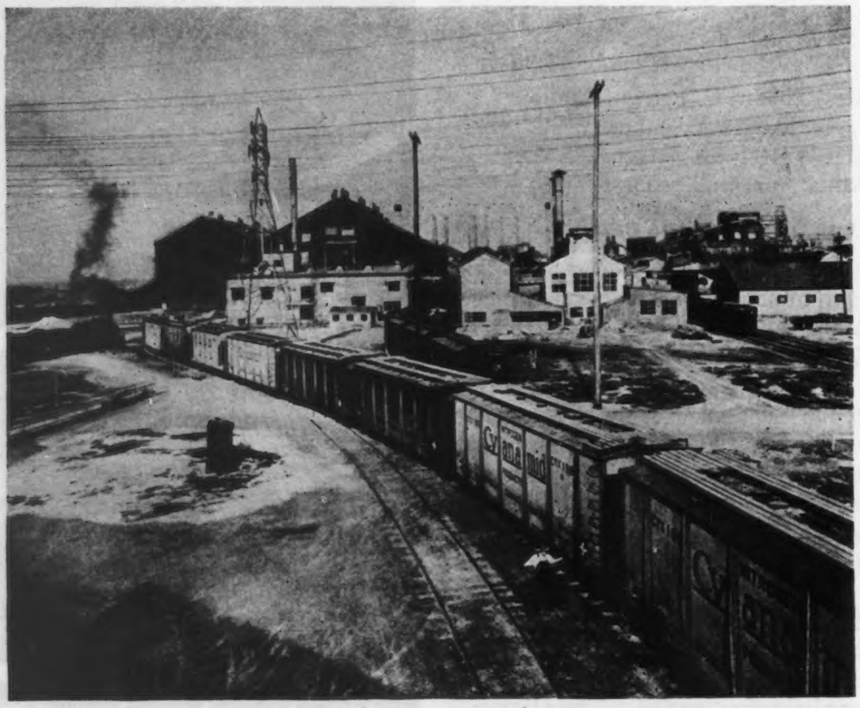
(*Cont'd from P. 5*) quality specifications, failure to meet inflexible time limits, labor problems—any of these things may turn a rosy picture into something that is very depressing.

The history of the management of a company is, today, of vast importance. If it is handled by men of ability and integrity, the credit executive can feel reasonably safe. If, however, the management is of the known gambling type, the red flag of caution should be hoisted. As you probably have noticed, many gamblers are most expansive—with other people's money.

Many New Problems

NON defense industries have their own special problems today, created by priorities. A manufacturer may have orders for his product. He orders your product. Credit is granted, the material shipped. But two other products he needs can't be delivered because of priority rulings. Your customer can't fill the orders on which he counted to get the cash to pay you. This is an elementary statement of a condition already existing and, in my opinion, sure to become greatly aggravated. It is one of the main "extra curricular" facts which the shrewd credit man will consider.

My suggestion to all credit executives is "be twice as alert as ever." The Red Queen's statement to Alice "you must run twice as fast as *that* just to stay where you are" is no longer inspired nonsense. It is a statement of fact. I think that we should bear in mind that accounts that can't pay today will never pay—we should get out of them.



A Train Load of Cyanamid Is a Large Order. Mr. Patterson Tells of Orders Ranging from 50 Cents to $500,000

Credit Man's Time-Table

(*Continued from page 18*)

At the turn of the month, the credit man comes in view of the home stretch—that period from the first to the tenth. That is the period in which to review all files and prepare the final build-up for the golden age which is soon to follow. A collector wishes to be thought of by the debtor between the tenth and the fifteenth of the month. If the previous ground work has been laid properly, an opportunity exists between the first and tenth to make a final and effective bid for favor. Advantage should be taken of this opportunity to the fullest extent.

Particular emphasis should be placed on contacting those debtors who did not respond before the end of the month. Carefully worded letters should remind them of the apparent failure of their plans to materialize, and diplomatically suggest or imply that the 10th of the month is a logical time to send a remittance. In this manner a temporary defeat may be turned into a victory without loss of face for the customer and with their friendship unimpaired.

The tenth of the month will come and go, then the eleventh, twelfth, and so on to the fifteenth. To the wise credit man, these will be days of satisfaction. He will be alert, carefully scanning all remittances received. Before him a story will unfold—a new situation will develop. Everything will not work out perfectly, of course, but the laws of average will produce satisfactorily for him if he has used good judgment and planned wisely. Another month lies ahead, then another, and still another. Each will be similar and by definite planning and careful observation of results, an effective technique may be developed which will react to his benefit and to the benefit of his company.

M. D. Wasson Dies

Detroit—Murray D. Wasson, who was President of the Detroit ACM in 1921, died on September 10 in the office of his firm, Parke, Davis & Co., with which he had been connected for over 40 years. Mr. Wasson's firm was one of the charter members of the association in 1896, and he had been active both in local association affairs and in the Drug Manufacturers Credit Group activities.

Binghamton Studies Priorities Danger

THE October session of the Triple Cities Association of Credit Men at Binghamton, New York, was devoted to a close study of the danger to small business in the National Defense Priorities regulations and the ways and means whereby small business could obtain a share of National Defense contracts. More than 140 were present, members of the Chamber of Commerce joining with the credit executives to hear a talk by Dexter S. Kimball, head of the tool division of Office of Production Management. Mr. Kimball, who is the former dean of the college of engineering at Cornell University warned his audience that many small plants may have to shut down unless they can find a way to join in the nation-wide production program for National Defense.

Interpretations on Regulation W

(*Cont'd from P. 32*) to a finance company secured by instalment contracts on listed articles. Must bank look to regularity of security? If bank is not required to examine each item of collateral, what is purpose of section 3(a) (2) (B)? Answer: So long as bank's payments arise only out of the loan as distinguished from the underlying obligation, it need not investigate underlying collateral. This is so that lender who takes such collateral will not be in worse position than one who lent unsecured. However, if and when lender attempts to obtain payments which arise out of the underlying obligation, i.e., to enforce the underlying obligation as distinguished from the loan, the lender is forbidden to receive the payments unless requirements of section 3(a) (2) (B) were met. This is so that registrant who loans upon instalment obligations will not be in more favorable position than one who discounts or purchases the obligation. To extent that registrant is willing to assume the business risk, he may lend on instalment obligation without inspection, realizing the disabilities which may appear later if it should become necessary to disregard loan and rely upon underlying instalment obligations. See W-5.

Loan by Bank—No Statement of Purpose

Question: If bank makes instalment loan under $1,000, either secured by listed article or not secured at all, must bank take statement as to proposed use of proceeds of loan? Answer: Registrant is not required to take statement as to proposed use of proceeds in such cases irrespective of whether loan is secured by listed article. However, statement accepted in good faith by registrant will protect registrant as mentioned in 8(c) and in similar provisions.

Loan to Make Down Payment

Question: May bank make loan secured by listed article owned more than 45 days in order to make down payment on new listed article? Answer: Section 8(f) does not prohibit making a loan which will serve as down payment. It merely applies to registrant who is required to obtain the down payment (or required to limit loan to maximum credit value) and prohibits him from making the extension of credit if he knows or has reason to know of side loan for making the down payment.

Loan to Pay in Full for Listed Article

Question: May bank make loan secured by listed article owned more than 45 days in order to pay in full the cash purchase price of a new listed article? Answer: Yes.

Series of Purchases on Different Days

Question: Customer purchases from same seller listed articles on several different days. All purchases are put on open charge account without down payments with the understanding that when last article is purchased a definite contract will be made. If all purchases go into a single contract must the entire contract be dated back to the date of purchase of first article and must the 18 months run from that earliest date? Answer: If intention is for instalment payments, down payments should be obtained at times of different purchases. Similarly, 18 month maximum maturities would date from different purchases and need not go back to purchase of first article.

Agreement to Renew Without Curtail

Question: When borrower makes bank loan on straight note for six months not payable in instalments is there anything in regulation to prohibit an agreement at the time of making the loan to renew the loan at the end of six-months period or at subsequent due dates? Answer: Question is not entirely clear and answer would depend on all relevant circumstances. There is nothing to prohibit agreement for renewal if renewal is to be made without reduction. However, if agreement is that renewal is to involve a reduction, loan would seem to be instalment credit and subject to requirements of the regulation.

Furnace Distinguished From Heating Stoves and Space Heaters

The Board has been asked to distinguish between "Heating stoves and space heaters designed for household use" and "Household furnaces." For purposes of Regulation W, the heat generating unit is a heating stove or space heater when it is designed to heat directly the space in which it is located; the heat generating unit is a furnace when it is designed for the transmission of heat by means of piping or ducts to the space which is to be heated. If a unit is designed to heat directly the room in which it is located and other rooms by piping it is to be classified as a furnace.

Heating Stoves—Gas-Fired Floor Furnaces—Small Portable Electric Heaters

The classification "Heating stoves and space heaters designed for household use" includes gas-fired floor furnaces even though they are permanently built into the floor. This classification also includes small portable electric heaters.

Delay in Delivery or Completion—Basis Date

Questions have been received regarding the application of Regulation W to extensions of instalment sale credit in cases in which there is delay in the delivery of the article sold, or in which time is required for the completion of a job of installation or construction.

The general principle applicable to these cases is that if the delay in the delivery of the article or in the completion of the job is bona fide and is not for the purpose of evading any of the provisions of the regulation, the date of delivery or completion may be used as the base for applying the requirements of the regulation. Hence the down payment could be obtained in such cases at any time on or before such date of delivery or completion. Similarly, the 18-months maximum maturity in such cases could be calculated from such date of delivery or completion with, of course, the usual option under section 9(b) of making the 15-day adjustment permitted by that section for calculating the maximum maturity.

For any such case in which any date later than the date of the contract between the seller and the purchaser is used as the base for applying the requirements of the regulation, it would be advisable for the Registrant's records to indicate clearly the facts justifying such use of a later date.

A related question received by the Board deals with progress payments under a contract for the installation of a heating system, or under a contract for a similar construction job. Payment is to be made for the installation or construction as the job progresses. Each payment is to be made at the completion of a specified portion of the job and is to be approximately equal to the cost of that portion, the final payment being made at the completion of the job. If such an arrangement is a bona fide business practice which is followed for the convenience of the parties concerned and is not an effort to evade any of the provisions of Regulation W, the regulation does not require any change in the procedure.

"Principal Amount" Defined

The phrase "principal amount" in section 5(b) of Regulation W means the principal amount lent to the obligor, excluding any interest, finance charges, service charges and insurance costs, whether or not deducted in advance.

For example, if a borrower receives $975 but signs a note on a discount basis for $1,020, the loan is in a "principal amount" of less than $1,000 within the meaning of section 5(b).

One-Payment Credit—Renewal with Curtail

Questions have been received as to whether an extension of credit which, upon its face, is repayable in only one scheduled payment is an extension of instalment credit if, at its maturity, a partial payment is made and the balance is renewed.

Answers to such questions depend upon whether or not there are any agreements or understandings between the parties at the time the extension of credit is made. For example, if at the time a particular extension of credit is made the Registrant and obligor have an understanding that the obligor will be required to make only a partial payment at maturity and that, upon making such partial payment, the balance will be renewed, the extension of credit is an extension of instalment credit notwithstanding the fact that the obligation, upon its face, provides for repayment in only one scheduled payment.

Three Months' Instalment Credit—Revised or Renewed

The Board has received a question under Regulation W which may be stated as follows:

"If an extension of credit, which was originally made as a 3 months' credit conforming to section 6(f) is renewed or revised, must it be limited to a maturity of 3 months from the date of the renewal or revision, or may it have a maturity of as much as 18 months from the date of the renewal or revision as in the case of a credit which was not originally under section 6(f)? If the renewal or revision of such a credit occurs on or after November 1, does it require a statement of necessity as specified in section 8(a)?"

1. A renewal or revision of a 6(f) credit is not limited to a maturity of three months from the date of the renewal or revision, and is limited only to a maximum maturity of 18 months from the date of the renewal or revision as in the case of renewals or revisions of other credits under the regulation. If the renewal or revision occurs on or after November 1, and alters the terms of repayment to terms which would not have complied with section 6(f) in the first instance, the renewal or revision may not be made unless a

statement of necessity is accepted in good faith as specified in section 8(a).

2. The preceding paragraph would not apply in the case of the *first* renewal or revision on or after September 1 of a credit which was originally extended before September 1. As indicated in W-19 and W-28 in discussing other pre-September credits, any pre-September credit may be renewed or revised *once* without the statement of necessity and on any terms which the Registrant would have granted in good faith in the absence of the regulation.

3. It is important to note, as pointed out in W-19, that section 8(g) prohibits any extension of instalment credit in connection with which there is any evasive side agreement for the subsequent renewing or revising of the credit. Any renewal or revision beyond the period originally permissible for the credit must be the bona fide result of some development coming after the making of the original extension of credit. Unless it is such a bona fide result of a subsequent development, it is prohibited by section 8(g).

"Household Furnaces and Heating Units For"

The classification "household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)" includes heat generating sources such as furnaces and boilers, and appurtenances which form a part of such sources, individually or collectively installed, when such sources or appurtenances are designed for actual net output of 240,000 B.T.U. per hour or less. For purposes of determining the maximum amount of credit the bona fide cash purchase price of such equipment is considered to include the cost of installation and the cost of accessories such as fuel oil storage tanks, heat control units, or coils for heating domestic hot water installed at the time of the installation of the furnace, boiler or heating unit. The classification does not include piping, ducts, radiators, convectors, or registers installed in connection with such equipment, but it is to be noted that these items may fall within the classification of materials and services referred to in Group E of Part 1 of the Supplement.

Rental with Option to Purchase

The Board has been asked several questions about the application of Regulation W to a case in which a Registrant rents a piano or other listed article to a customer and the rental contract includes an option giving the customer the right to purchase the article.

Executive Order No. 8843, under the authority of which Regulation W is issued, and section 2(b) of the regulation, define "extension of credit" as including "any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee . . . has the option of becoming the owner thereof . . ." Therefore the type of contract to which the inquiry relates is subject to the provisions of Regulation W.

Under these provisions it is necessary that, under such a contract, the Registrant obtain, at or before the delivery of the article to the lessee, a deposit equal to the amount of the down payment which the regulation would require upon an instalment sale of the listed article, and that the lease call for periodic payments in an amount not less than the amount of the instalments which Regulation W would require on an extension of instalment sale credit arising out of the sale of the article. In the event that the lessee decides to exercise his option to purchase the article, these payments, including the deposit, under the lease will serve in lieu of both the necessary down payment and the instalments which would have been due between the date of the original lease and the date the option to purchase is exercised, and the balance of the sale price may be paid in instalments subject to the final maturity of 18 months from the date of the original lease. In the event that the lessee decides not to exercise his option to purchase, the Registrant may return to him the difference between the payments, including the deposit, which the lessee has made and the amount of rental that may have been agreed upon for the period that the lessee has retained the article, and it is permissible for the lease to contain a provision to this effect.

It should be noted that the regulation does not apply to a bona fide rental agreement under which the lessee does not receive a transfer of ownership, does not obligate himself to pay as compensation a sum substantially equal to or in excess of the value of the article, and does not receive an option to purchase.

Statement of Necessity—Section 8 (c)

An inquiry which may be stated as follows has been received under Regulation W:

"Section 8(d) refers to statements of necessity as provided in paragraphs (a), (b) and (c) of section 8. However, paragraph (c) does not contain the words 'statement of necessity.' Is the 'written statement' described in section 8(c) to be regarded as a 'statement of necessity'? If the answer is in the affirmative, would it be desirable as a practical precaution for any bank or other lender extending instalment loan credit to take, in every case, the written statement referred to in section 8(c)?"

The written statement referred to in the last sentence of section 8(c) is not a "statement of necessity" of the kind referred to in section 8(d). Section 8(c) refers to statements of necessity only to the extent that it incorporates by reference certain requirements of "section 8(a) or 8 (b), including the provisions thereof." With respect to last part of inquiry, see W-35.

Credit to Retire Obligation Held Elsewhere

An inquiry which may be stated as follows has been received under Regulation W:

"Section 8(e) provides that the requirements of sections 8(a), (b) and (c) do not apply 'to any renewal or revision' of an extension of credit made prior to September 1, and provides in effect that any such extension of credit may be renewed or revised once on or after September 1. Do the same principles apply to an extension of credit to retire an obligation held elsewhere, assuming the latter covers an extension of credit made prior to September 1?"

Section 8(e) refers specifically to section 8(c), and therefore the same principles apply as in the case of a renewal or revision by the original obligee. These principles are discussed in W-19 and W-28.

Instalments in Decreasing Amounts

Inquiry has been received whether section 4(c) prohibits sale of automobile with first monthly instalment of $65 and remaining 17 monthly instalments of $23.

Section 4(c) is worded in the alternative, and instalments must either be substantially equal in amount or "be so arranged that no instalment is substantially greater in amount than any preceding instalment." Therefore answer to inquiry is negative.

Down Payment—Three Months' Credit Renewed or Revised

Regulation W does not require a Registrant to obtain down payment or otherwise to increase amount received through previous payments when a three months' credit conforming to section 6(f) is renewed or revised in good faith as described in W-49.

Section 6 (j) Credit Not Affected by Subsequent Purchase

Obligor who has received credit conforming to section 6(j) and who subsequently receives instalment sale credit on listed article priced at $100 is not required to make down payment on original purchase. The 6(j) credit remains a separate transaction.

Fifteen Day Adjustment Under Section 9 (b)

Question has been asked whether Section 9(b) of Regulation W permits first instalment to fall due 45 days after date of contract or note, assuming such date is date of sale, even though the result is that the obligation may show on its face that credit was extended for 18½ months. Answer is in the affirmative.

"Equity" Used to Decrease Purchase Price

A question which may be stated as follows has been received under Regulation W:

"A Registrant sells a $100 radio, receiving in trade or exchange a used radio which he has previously sold to the customer and on which the customer owes the Registrant an unpaid balance. The Registrant allows the customer $15 for his equity. What is the basis price, the maximum credit value and the down-payment requirement of the new radio? How should the maximum maturity be calculated for such a transaction.

Under Part 2 of the Supplement, the basis price of the new radio would be $85 ($100 minus the $15 equity traded in by the customer). Hence the maximum credit value would be $68 (80% of $85) and the required down-payment would be $17, which would be in addition to the $15 allowance for the customer's equity. The maximum maturity would be 18 months from the date of the sale of the $100 radio, with the usual option under section 9(b) of making the 15-day adjustment permitted by that section for calculating the maximum maturity.

Transferring "Equity" to New Purchaser

Inquiries have been received regarding cases in which the original instalment purchaser of an automobile or other listed article arranges the transfer of his equity to another purchaser, the transfer of the equity being arranged directly between the parties and not by or through any dealer or other Registrant, and the Registrant holding the obligation is in effect asked to recognize or approve the transfer.

The Board is of the opinion that such a transfer of the automobile or other listed

article subject to the original debt and lien may be made without restriction under the regulation provided the original purchaser (who is not a Registrant) remains liable on the contract and there is no change in the contract except the addition of the signature of the new purchaser.

However, if the original purchaser is released from his obligation under the contract, or if the terms of the contract are altered except by including the subsequent purchaser, or if a new contract is entered into between the Registrant and the subsequent purchaser, the same requirements would apply as if the Registrant were making an ordinary instalment sale of the listed article. In such event, if the listed article involved was, for example, an automobile and the subsequent purchaser agreed to pay $600 for the automobile, the Registrant could not extend credit to him in excess of $400.

It may be noted, of course, that under section 8(a) of the regulation the requirements stated in the preceding paragraph would not apply to action taken by the Registrant in good faith (1) with respect to any obligation of a member of the armed forces of the United States incurred prior to his induction into the service, or (2) for the Registrant's own protection in connection with any obligation which is in default and the subject of bona fide collection effort by the Registrant.

"Side Loan for Down Payment"—Releasing Lien on Car Traded In

An inquiry which may be stated as follows has been received under section 8(f) of Regulation W:

> "A purchaser buys an automobile costing $600 and tenders his old car, which is worth $200, as the required down payment. Purchaser owed a finance company $100 on the old car, which was part of its unpaid purchase price, but the purchaser was able to make arrangements with the finance company whereby the automobile was released as collateral to this loan and there was substituted therefor miscellaneous collateral other than listed articles and he was able to obtain a clear title for the purpose of making a trade-in. Assuming in each case that the Registrant involved knows or has reason to know of the $100 transaction: (1) May a finance company, other than the one which extended credit on the old car, lend 66⅔ per cent of the purchase price of the new car when the loan is secured by the new car? (2) May the finance company which extended credit on the old car make a separate loan to the same individual equal to ⅔ of the purchase price of the new car when the collateral for the loan is the new car? (3) May a finance company make two loans to the purchaser, one secured by the new car equal to ⅔ of its purchase price, the other secured by miscellaneous collateral other than listed articles, to pay the $100 which the purchaser owes the other finance company?"

Section 8(f) in effect prohibits extensions of instalment sale credit under section 4, or of secured instalment loan credit under section 5(a), in any case in which "the Registrant making such extension of instalment credit knows or has reason to know that there is, or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the maximum credit value of such article."

The down payment in the present case is represented by the old car, which is not sufficient for this purpose unless taken at its full value without regard to the amounts still owed by the customer for its purchase. The down payment therefore includes the $100 of credit which is outstanding for the purchase of the old car, and the result is that this $100 brings the total credit in connection with the transaction beyond the maximum credit value of the new car. Accordingly, when, as stated in the question, the Registrant knows or has reason to know of these facts, the extension of credit is prohibited in each of the three cases presented in the question.

"Purchase Price" in Section 6 (b)

The phrase "bona fide cash purchase price" in section 6(b) means the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges.

Discount of Note Executed Pursuant to Pre-September Contract

Section 3(a) (2) (B) permits purchase or discount of 24-month note if note was signed after September 1 pursuant to pre-September commitment.

Similarly, where contractor and home owner have made pre-September contract for repairs to be financed by a bank, bank may finance the repairs on terms provided in contract even though request for financing is not presented to bank until after September 1.

Seller's Services in Connection with Delivery of New Automobile

Part 3(a) of the Supplement to Regulation W provides that the maximum credit value of a new automobile shall be 66⅔ per cent of the purchase price but that such maximum credit value shall in no event exceed 66⅔ per cent of the sum of items numbered 1 through 4 as set forth under part 3(a). In this connection, the Board has received several questions as to the amounts which may be included under that portion of item 4 which permits the inclusion of "Any bona fide charges for delivery * * * not included in the foregoing items."

In general this provision permits only the inclusion of bona fide charges for services which are actually rendered by the seller in connection with the delivery of a new automobile and which are not included in the manufacturer's retail quotation (item 1) or in transportation charges (item 2). For example, charges for such services as lubricating, cleaning, polishing, or otherwise conditioning the car may not be included under item 4 if these services are included in item 1 or 2; but in case any such services are not included in items 1 and 2, a charge which is reasonably related to the value of such services may be included in item 4. Likewise, where the contract of sale includes any additional services connected with the delivery of the car, such as greasing the car for a certain period or providing antifreeze, a reasonable charge for such services may be included in item 4. On the other hand there may not be included in item 4 a charge which the dealer may make for "advertising" or for "warehousing," nor any other charges which the dealer may make except bona fide charges for services which are actually rendered by the seller to the purchaser and are not included in items 1 and 2.

Purchase of House Containing Listed Articles Previously Installed

A 24-month note for $650 secured by a second mortgage on a house is not subject to Regulation W if it is given by the purchaser to the seller as part of the purchase price of the house; and the note may be discounted by a bank under section 3(a) (2)(B). This would be true even if plumbing fixtures and other listed articles had been incorporated in the house, because for the purposes of Regulation W the sale would be regarded as the sale of a house and not as the sale of plumbing fixtures.

Similarly, the fact that a $1500 instalment loan is secured by a second mortgage on a house that was purchased within 45 days and which at the time of purchase contained plumbing fixtures or other listed articles previously installed, would not cause the loan to be subject to section 5(a) as a loan secured by a "listed article which has been purchased within 45 days." The recent purchase is considered to be the purchase of a house rather than the purchase of a listed article, and the case would not be altered by the fact that the seller of the house might have purchased and installed the listed article only shortly before he sold the house and within 45 days prior to the loan. On the other hand, section 5(a) would apply if the mortgagor had owned the house for some time and had purchased and installed the listed articles within 45 days prior to the loan, since in such a case the mortgagor's recent purchase would be a purchase of a listed article rather than the purchase of a house.

Agreement to Renew Final Balloon Maturity of Instalment Note

Questions have been received as to whether a certain plan of repayment meets the requirements of Regulation W regarding 18 months' maximum maturity and equal monthly payments for instalment loan credit. There is provision for 11 equal monthly payments, and a larger twelfth payment at the end of the twelfth month for the remainder. However, there is an express agreement betwen the parties that when the twelfth payment falls due, unless the borrower has defaulted on an earlier payment or unless there is a material impairment of his credit, only a portion of the twelfth payment will actually be paid and the remaining portion will be refinanced into six equal monthly payments in such manner that the net result will be eighteen substantially equal monthly payments.

Such an arrangement complies with the specified requirements of the regulation.

Section 6(b) Inapplicable Where Cost of Group D Articles Exceeds 50 Per Cent of Deferred Balance

A Registrant makes an extension of instalment sale credit arising out of the sale of materials and services (including certain Group D articles) in connection with repairs, alterations or improvements upon urban, suburban or rural real property in connection with an existing structure. The bona fide cash purchase price of all the materials and services is $1500 and the bona fide cash purchase price of the Group D articles is $700. The purchaser makes a cash payment of $150 and remains indebted to the seller in the amount of $1350. Is the transaction exempt under section 6(b) of the regulation?

The exemption in 6(b) does not apply since the $700 purchase price of the Group D articles is more than 50 per cent of the over-all deferred balance of $1350.

AMENDMENT NO. 2 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective December 1, 1941

Effective December 1, 1941, Regulation W is amended in the following respects:

Section 2(e)

In section 2(e) the figure $1,000 is changed to $1,500.

Section 4(e)

Section 4(e) is stricken out and a new section 4(e), which reads as follows, is substituted:

(*e*) **Small Down Payments.**—In any case in which the down payment required by section 4(a) would be $2.00 or less, the Registrant may disregard such requirement.

Section 5

Section 5 is changed to read as follows:

Section 5. Instalment Loan Credit

Except as otherwise permitted by section 6, any extension of instalment loan credit shall comply with the following requirements:

(*a*) **Loans Secured by or to Purchase Listed Articles.**—If the extension of instalment loan credit is secured, or according to any oral or written agreement of the parties is to become secured, by any listed article which has been purchased within 45 days prior to, or is to be purchased at any time after, such extension of instalment loan credit; or if the extension of instalment loan credit, even though not so secured, is in a principal amount of $1,500 or less and the Registrant knows or has reason to know that the proceeds are to be used to purchase any listed article:

(1) The principal amount lent to the obligor (excluding any interest or finance charges, and the cost of any insurance) shall not exceed the maximum credit value of the listed article specified in the Supplement; and, in determining such maximum credit value, the Registrant may accept in good faith a written statement signed by the obligor setting forth the *bona fide* cash purchase price of the article and of any accessories and of any services, except insurance, rendered in connection with the acquisition thereof, which statement so accepted shall, for purposes of this regulation, be deemed to be correct; and

(2) The maturity shall not exceed that specified for the listed article in the Supplement, and such maximum maturity shall be calculated from the date of purchase of such listed article or from the date of such extension of instalment loan credit, whichever is earlier.

(*b*) **Miscellaneous Loans of $1,500 or Less.**—If the extension of instalment loan credit is not subject to section 5(a) but is in a principal amount of $1,500 or less, the maximum maturity shall not exceed that specified in the Supplement for extensions of instalment loan credit subject to this section 5(b).

(*c*) **General Requirements.**—Whether subject to section 5(a) or section 5(b), the extension of instalment loan credit shall comply with the following additional requirements:

(1) The extension of instalment loan credit shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth the terms of payment and, if the loan is subject to section 5(a), the *bona fide* cash purchase price used for determining the maximum credit value of the listed article involved;

(2) Except as permitted by section 5(c)(3), the total of the principal and any interest or finance charges shall be payable in instalments which shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment; and

(3) Instalments shall be payable at approximately equal intervals not exceeding one month, except that, when appropriate in order to facilitate repayment in accordance with the seasonal nature of the obligor's main source of income or to encourage off-seasonal purchases of seasonal goods, the payment schedule may reduce or omit payments over any period or periods totaling not more than 4 months during the life of such extension of credit if the schedule increases the scheduled payments in such manner as to meet the other requirements of this section 5.

(*d*) **Statement of the Borrower.**—On and after January 1, 1942, no Registrant shall make any extension of instalment loan credit (except under the provisions of section 8(a) unless, at or before the execution of the loan contract, he shall have obtained and accepted in good faith a signed Statement of the Borrower as to the purposes of the loan in form prescribed by the Board. No obligor shall willfully make any material misstatement or omission in such Statement. The Registrant, acting in good faith, may rely upon the facts set out by the obligor in such Statement and, when the Registrant is so acting, such facts shall be deemed to be correct for the purposes of the Registrant. Until January 1, 1942 (after which date a Statement of the Borrower must be obtained) the Registrant, in ascertaining the purposes of the loan or the maximum credit value of any listed article, may, in good faith, accept and rely upon a written statement in any form signed by the obligor and such statement shall, for the purposes of this regulation, be deemed to be correct. In case the Registrant accepts in good faith a written statement signed by the obligor that any listed article which secures an extension of instalment loan credit has not been purchased within 45 days prior to such extension of credit, such statement shall, for the purposes of this regulation, be deemed to be correct.

(*e*) **Credit Subject to Section 5(a) Only in Part.**—In case an extension of instalment loan credit consists only in part of an extension of credit subject to section 5(a), the amount and terms of such extension of credit shall be such as would result if the credit were divided and each part treated in good faith as if it stood alone.

A loan or part thereof which is secured by a listed article only because of an "overlap agreement", "spreader clause", or other form of general over-all lien or only because the Registrant is prevented by a State law or regulation from having in effect more than one contract of loan from the same borrower at the same time, but which otherwise would not be subject to section 5(a), shall not be deemed to be so secured within the meaning of such section.

(*f*) **Loans to Make Down Payments Prohibited.**—An extension of instalment loan credit does not comply with the requirements of this regulation if the Registrant making such extension knows or has reason to know that any part of the proceeds thereof is to be used to make a down payment on the purchase price of any listed article: *Provided,* That, if the Registrant accepts in good faith a written statement signed by the obligor that no part of the proceeds is to be so used, such statement shall, for the purposes of this regulation, be deemed to be correct.

Section 6(a)

Section 6(a) is changed to read as follows:

(*a*) Any extension of credit which is secured by a *bona fide* first lien on improved real estate duly recorded or which is for the purpose of financing or refinancing the construction or purchase of an entire residential building or other entire structure.

Section 6(1)

A new subsection reading as follows is added at the end of section 6:

(1) Any extension of instalment loan credit which is made to a person whose income is derived principally from the operation of a business enterprise of which such person is the owner or proprietor, provided the extension of credit is for the purpose of financing such business enterprise and is not for the purpose of purchasing any listed article or secured by any listed article purchased within 45 days before the extension of credit.

Sections 8(a), 8(b), 8(c) and 8(d)

The effective date of sections 8(a), 8(b), 8(c) and 8(d) has been postponed from November 1, 1941, to December 1, 1941, and they have been changed to read as follows:

(*a*) **Renewals or Revisions.**—If any obligation or claim evidencing any extension of instalment sale credit or instalment loan credit is renewed or revised by a Registrant, the extension of instalment credit does not comply with the requirements of this regulation if such renewal or revision has the effect of changing the terms of repayment to terms which this regulation would not have permitted in the first instance for such credit; *Provided,* That nothing in this regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking any action that it shall deem necessary in good faith, (1) with respect to any obligation of any member of the armed forces of the United States incurred prior to his induction into such service, or (2) for the Registrant's own protection in connection with any obligation which is in default and is the subject of *bona fide* collection effort by the Registrant.

(*b*) **Additions to Outstanding Credit Held by Registrant.**—An extension of instalment sale credit or instalment loan credit does not comply with the requirements of this regulation if it is consolidated with any obligation or obligations held by the Registrant evidencing any prior extension or extensions of instalment credit to the same obligor, unless the additional extension of credit complies with the maximum credit value limitations applicable thereto (if any) and, in addition, the consolidated obligation complies with one of the following options:

Option 1. The terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of this regulation if the two obligations had not been consolidated; or

Option 2. The consolidated obligation shall provide for a rate of payment, throughout its term, which is (A) at least as large per month as the rate of payment or payments on the outstanding obligation or obligations being consoli-

dated would have been for the month commencing on the date of consolidation, and (B) is larger to whatever extent may be necessary in order to repay the consolidated obligation within 15 months.

(*c*) **Credit to Retire Obligations Held Elsewhere.**—Any extension of instalment loan credit, the proceeds of which a Registrant knows or has reason to know will be used in whole or in part to retire any extension of instalment credit not held by such Registrant, shall be subject to the provisions of this regulation to the same extent as if the obligation being retired were held by the Registrant.

(*d*) **Statement of Necessity to Prevent Undue Hardship.**—Notwithstanding the provisions of sections 8(a), 8(b) and 8(c), if a Registrant accepts in good faith a statement of necessity as provided in the following paragraph, the renewed, revised or consolidated obligation may provide for a schedule of repayment as though it were a new extension of instalment loan credit subject to section 5(b), even though such action results in the reduction of the rate of repayment thereon.

The requirements of a statement of necessity will be complied with only if the Registrant accepts in good faith a written statement in form and content prescribed by the Board and signed by the obligor that the contemplated renewal, revision or other action is necessary in order to avoid undue hardship upon the obligor or his dependents resulting from contingencies that were unforeseen by him at the time of obtaining the original extension of instalment credit or which were beyond his control, which statement also sets forth briefly the principal facts and circumstances with respect to such contingencies and specifically states that the renewal, revision, or other action is not pursuant to a preconceived plan or an intention to evade or circumvent the requirements of this regulation. Until the Board has prescribed the form and content of the statement of necessity the Registrant may in good faith accept a written statement in any form, provided such statement otherwise conforms to the requirements of this section.

Section 9(f)

Old section 9(f), which is superseded by language in the amended section 5(e), is stricken out and a new section 9(f), which reads as follows, has been substituted:

(*f*) **"Farmer Plans".** — When appropriate for the purpose of facilitating repayment in accordance with the seasonal nature of the obligor's main source of income, an extension of instalment credit which is made to a person who is engaged in agriculture and derives income principally therefrom may be payable in any amounts and at any intervals, notwithstanding sections 4(c), 4(d) and 5(c); *Provided,* That (1) the extension of credit complies with the applicable provisions concerning the amount and maximum maturity of the credit and (2) at least one-half of the credit is to be repaid within the first half of the applicable maximum maturity.

Section 10

Section 10 is changed to read as follows:

Section 10. Effective Date of Regulation

This regulation shall become effective September 1, 1941, except that sections 8(a), 8(b), 8(c) and 8(d) and the amendments made by Amendment No. 2 shall not become effective until December 1, 1941.

Supplement, Part 4

In part 4 of the Supplement, the figure $1,000 is changed to $1,500.

Business Thermometer

Sales gained 44 per cent in September over the same month a year ago for 2,924 wholesalers, according to an announcement released today by J. C. Capt, Director of the Census. This 44 per cent spread over last September is greater than any other year to year changes recorded in the six years in which this study has been conducted by the Department of Commerce. The gain of 4 per cent from August to this year is similar to the seasonal increase usually exhibited between August and September by this series. Experiences of independent retail stores reporting to the Bureau of the Census also indicate a wide spread over last year's sales, increasing 24 per cent over September 1940. For the year to date, wholesalers' sales were 31 per cent above the first 9 months of 1940.

Increases over September 1940 of more than 15 per cent were registered by each of the 35 trades for which data are shown separately. Industrial lines again this month recorded the outstanding advances over 1940. Gains during the current month exceeded those for the year to date for 31 of the 35 trades, indicating that trade expansions were not limited to the heavy lines. In addition, a majority of the trades reported stronger gains for September than for the month of August.

Of the industrial lines, electrical goods and machinery, equipment and supplies reported sales more than 80 per cent above September 1940, followed by industrial supplies (74%) and chemicals (64%). Each of these increases represents a greater spread over last year than was recorded for August and for the year to date. The increase for metals in September fell substantially below those recorded by this trade in earlier months. At the three-quarter mark, five trades, including metals, reported sales of at least half again as large as those for the first 9 months of 1940.

Liquor Trade Gains

GAINS for the liquor trades again featured the experiences of consumer goods lines, reflecting the revision of tax rates effective October 1. Wholesalers of foods reported gains in dollar sales of 25-40 per cent for September. These increases, in general, represented spreads of 10 points over the year-to-date gains. Furniture wholesalers continued in their upward trend, topping their 40 per cent gain for the first 9 months of 1941 with an increase of 50 per cent in September. Two other lines besides metals—clothing and furnishings, except shoes and lumber and building materials—reported smaller increases for the month than for the year to date.

For the second successive month, the cost value of inventories on hand at the end of the month rose less than 0.5 per cent from the beginning of the month. The increase in stocks over September 30, 1940, amounted to 17 per cent, as reported by 1,816 wholesalers. Reflecting the stronger percentage increases in sales, the over-all ratio of stocks to sales dropped from 133 in August to 128 in September 1941, and was sharply under the figure of 159 for September 1940. In general, inventory expansion in dollars kept pace with sales gains only for the food trades; in most other lines stocks on hand were lower than a year ago relative to the expanded volume of sales.

Collections Better Than in 1940

COLLECTIONS on accounts receivable for 2,398 wholesalers continued at the rate reported by these establishments for August and were appreciably more favorable than for September 1940. Collections during September equaled 75 per cent of accounts receivable as of September 1, compared with collection percentages of 70 for September 1940 and 75 for August 1941. Again reflecting recent sales expansions, accounts receivable were 34 per cent greater on September 1, 1941, than at the same date in 1940, and 8 per cent greater than on August 1, 1941.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the following tables in summary for the United States and, insofar as the data permit without disclosing individual operations, by geographic divisions.

WHOLESALERS' sales and inventories, September, 1941

Kind of Business	Sales—Current Month: Number of firms reporting sales	Sales—Current Month: Percent change Sept. 1941 from Sept. 1940	Sales—Current Month: Percent change Sept. 1941 from Aug. 1941	Sales—Current Month: Sept. 1941 (000's)	Sales—Year-to-Date: Percent change from 9 Mos. 1940	Sales—Year-to-Date: 9 Mos. 1941 (000's)	Inventory—End-of-Month (At Cost): Number of firms reporting stocks	Inventory: Percent change Sept. 1941 from Sept. 1940	Inventory: Percent change Sept. 1941 from Aug. 1941	Inventory: Sept. 30, (000's)	Stock-Sales Ratios*: Sept. 1941	Stock-Sales Ratios*: Sept. 1940	Stock-Sales Ratios*: Aug. 1941
Automotive supplies	212	+42	+15	$6,439	+27	$50,658	100	+ 6	+ 1	$4,929	157	216	171
Chemicals (industrial)	20	+64	+10	1,358	+46	17,571	14	+32	+ 9	846	83	106	81
Paints and varnishes	65	+43	— 5	3,182	+34	26,430	17	+11	— 3	1,072	148	190	159
Clothing and furnishings, except shoes	45	+24	+ 7	4,225	+41	28,780	25	+12	— 1	1,343	113	143	103
Shoes and other footwear	32	+45	+ 1	16,242	+41	128,792	21	+ 4	— 8	5,454	65	96	73
Coal	11	+41	— 1	1,418	+39	17,543	—	—	—	—	—	—	—
Drugs and sundries (liquor excluded)	126	+29	+13	22,937	+14	189,922	95	+11	+ 4	28,990	168	195	181
Dry goods	110	+42	— 3	18,841	+36	130,298	61	+13	— 6	19,903	154	187	156
Electrical goods	343	+88	— 1	38,359	+65	357,162	297	+36	— 4	31,831	88	123	91
Dairy and poultry products	24	+34	— 5	2,214	+15	19,826	14	+34	+ 3	463	76	76	75
Fresh fruits and vegetables	80	+34	— ‡	4,629	+13	42,851	53	+26	+ 4	727	38	40	37
Farm supplies	11	+47	+13	421	+19	5,862	—	—	—	—	—	—	—
Furniture and house furnishings	69	+50	+19	8,205	+40	76,226	41	+21	— 1	9,748	166	203	204
Groceries and foods, except farm products	647	+26	+ 5	59,943	+15	581,021	383	+27	+ 7	51,064	148	147	143
Full-line wholesalers♯	343	+29	+ 4	26,333	+15	235,090	195	+27	+ 5	23,255	147	150	143
Voluntary-group wholesalers	174	+23	+ 4	23,105	+13	218,990	121	+27	+11	21,992	166	160	156
Retailer-cooperative warehouses	24	+27	+ 3	4,277	+19	36,176	10	+22	+ 7	2,783	108	112	103
Specialty lines	106	+31	+10	6,228	+16	90,765	57	+36	+ 1	3,034	109	102	119
Confectionery	33	+29	+12	780	+16	5,936	18	+20	+ 4	307	84	91	97
Meats and meat products	85	+42	— 5	25,631	+29	213,645	60	+39	— 7	5,289	49	46	49
Beer	48	+39	—15	992	+21	6,681	36	+13	— 6	290	35	44	32
Wines and liquors	25	+44	+32	5,103	+26	45,467	17	+21	— 1	6,996	158	184	208
Liquor department of other trades†	40	+104	+58	7,336	+35	42,758	37	+ 6	— 1	8,970	127	246	204
Total hardware group	385	+54	+ 5	51,343	+51	436,440	249	+17	— 2	63,263	176	229	188
General hardware	147	+48	+ 5	31,251	+42	248,873	96	+16	— 3	46,482	201	252	218
Industrial supplies	127	+74	+ 4	12,104	+71	127,042	87	+17	— 2	11,818	135	204	141
Plumbing and heating supplies	111	+54	+ 8	7,988	+53	60,525	66	+27	— 1	4,963	120	141	127
Jewelry	39	+45	+48	3,653	+45	20,674	23	+ 2	— 3	3,089	136	194	219
Optical goods	27	+29	+ 9	403	+22	3,262	13	+32	+ 6	231	130	131	135
Lumber and building materials	40	+29	— 5	3,111	+44	36,670	27	+ 8	+ 3	2,586	123	153	116
Machinery, equipment and supplies, except electrical	62	+85	— ‡	4,337	+60	41,697	41	+14	+ 3	4,489	131	220	123
Surgical equipment and supplies	27	+36	+ 5	780	+17	10,776	12	+16	+ 2	701	135	163	141
Metals	26	+50	— 9	5,223	+76	58,193	18	— 5	— ‡	5,365	122	180	106
Paper and its products	95	+47	+10	8,342	+25	66,961	52	+ 7	— 1	5,534	120	157	131
Petroleum	11	+47	+ 2	21,678	+20	115,063	7	+47	+ 4	898	60	53	59
Tobacco and its products	150	+16	— 2	14,230	+ 7	132,250	60	— 1	+21	4,070	57	65	45
Leather and shoe findings	11	+35	+ 9	214	+17	1,744	—	—	—	—	—	—	—
Miscellaneous	25	+35	— ‡	2,914	+34	42,742	25	—20	— 6	3,690	118	199	126
United States	2,924	+44	+ 4	$344,483	+31	$2,953,901	1,816	+17	+ ‡	$272,138	128	159	133

* These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. ‡ Less than 0.5 percent.
— Insufficient data to show separately. † Chiefly of the wholesale drug trade. ♯ Not affiliated with voluntary or cooperative groups.

WHOLESALERS' accounts receivable and collections, September, 1941

Kind of Business	Number of firms reporting	Collection Percentages*: September 1941	Collection Percentages*: September 1940	Collection Percentages*: August 1941	Accounts Receivable: Percent change September 1941 from September 1940	Accounts Receivable: Percent change September 1941 from August 1941	Accounts Receivable: As of Sept. 1, 1941 (Add 000)
Automotive supplies	149	71	61	71	+30	+ 8	$4,964
Chemicals (industrial)	19	90	76	93	+24	+ 6	1,078
Paints and varnishes	64	65	59	65	+24	+ †	4,879
Clothing and furnishings, except shoes	43	57	42	51	+12	+50	5,487
Shoes and other footwear	29	40	39	35	+33	+24	14,720
Coal	11	89	81	99	+41	+15	1,514
Drugs and sundries (liquor excluded)	112	70	66	69	+13	+ 6	23,902
Dry goods	98	44	41	44	+43	+23	31,981
Electrical goods	315	74	69	76	+68	+ 4	46,380
Dairy and poultry products	19	125	117	131	+23	+ 3	1,540
Fresh fruit and vegetables	59	159	143	149	+ 8	— 5	1,151
Farm supplies	7	96	66	77	+11	+ 4	367
Furniture and house furnishings	57	57	51	50	+41	+ 1	11,399
Groceries and foods, except farm products	483	102	95	100	+17	+ 4	42,079
Full-line wholesalers	235	96	88	93	+19	+ 5	18,379
Voluntary-group wholesalers	145	102	97	102	+15	+ 4	17,497
Retailer-cooperative warehouses	18	167	159	162	+23	+ 5	2,024
Specialty lines	85	92	86	89	+11	+ 1	4,179
Confectionery	21	72	63	67	+16	+ 5	485
Meats and meat products	74	154	160	162	+47	+13	15,814
Beer	18	154	133	182	+ 5	— 1	151
Wines and liquors	20	74	70	73	+37	+ 7	4,938
Liquor department of other trades	35	73	75	67	+69	+10	6,309
Total hardware group	349	63	54	62	+34	+ 5	66,420
General hardware	133	57	49	56	+28	+ 5	44,173
Industrial supplies	112	78	69	78	+54	+ 7	12,912
Plumbing and heating supplies	104	69	62	69	+41	+ 5	9,335
Jewelry	31	27	19	28	+24	+ 9	4,439
Optical goods	24	72	65	68	+17	+ 7	457
Lumber and building materials	38	69	69	74	+20	+ 7	4,161
Machinery, equipment and supplies, except electrical	51	57	52	61	+55	+12	5,472
Surgical equipment and supplies	26	51	49	54	+21	+ 5	1,292
Metals	22	104	89	101	+53	+ 4	5,393
Paper and its products	85	65	56	62	+24	+ 6	10,577
Petroleum	8	127	126	122	+28	+ 3	1,221
Tobacco and its products	101	126	126	135	+11	+ 2	8,365
Leather and shoe findings	9	49	41	48	+15	+ 4	231
Miscellaneous	21	64	54	64	+19	+17	3,826
United States	2,398	75	70	75	+34	+ 8	$330,992

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
† Less than 0.5 percent.